103

TRADE ADJUSTMENT ASSISTANCE PROGRAM FOR FIRMS

Y 4. W 36: 103-18

Trade Adjustment Assistance Program...

HEARING

BEFORE THE

SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

MAY 27, 1993

Serial 103–18

Printed for the use of the Committee on Ways and Means

OCT 25 1993

U.S. GOVERNMENT PRINTING OFFICE

70–858 CC WASHINGTON : 1993

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-041310-9

TRADE ADJUSTMENT ASSISTANCE PROGRAM FOR FIRMS

. W 36: 103-18

e Adjustment Assistance Program...

HEARING

BEFORE THE

SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

MAY 27, 1993

Serial 103–18

Printed for the use of the Committee on Ways and Means

OCT 25 1993

U.S. GOVERNMENT PRINTING OFFICE

70–858 CC WASHINGTON : 1993

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-041310-9

COMMITTEE ON WAYS AND MEANS

DAN ROSTENKOWSKI, Illinois, *Chairman*

SAM M. GIBBONS, Florida
J.J. PICKLE, Texas
CHARLES B. RANGEL, New York
FORTNEY PETE STARK, California
ANDY JACOBS, JR., Indiana
HAROLD E. FORD, Tennessee
ROBERT T. MATSUI, California
BARBARA B. KENNELLY, Connecticut
WILLIAM J. COYNE, Pennsylvania
MICHAEL A. ANDREWS, Texas
SANDER M. LEVIN, Michigan
BENJAMIN L. CARDIN, Maryland
JIM McDERMOTT, Washington
GERALD D. KLECZKA, Wisconsin
JOHN LEWIS, Georgia
L.F. PAYNE, Virginia
RICHARD E. NEAL, Massachusetts
PETER HOAGLAND, Nebraska
MICHAEL R. McNULTY, New York
MIKE KOPETSKI, Oregon
WILLIAM J. JEFFERSON, Louisiana
BILL K. BREWSTER, Oklahoma
MEL REYNOLDS, Illinois

BILL ARCHER, Texas
PHILIP M. CRANE, Illinois
BILL THOMAS, California
E. CLAY SHAW, JR., Florida
DON SUNDQUIST, Tennessee
NANCY L. JOHNSON, Connecticut
JIM BUNNING, Kentucky
FRED GRANDY, Iowa
AMO HOUGHTON, New York
WALLY HERGER, California
JIM McCRERY, Louisiana
MEL HANCOCK, Missouri
RICK SANTORUM, Pennsylvania
DAVE CAMP, Michigan

JANICE MAYS, *Chief Counsel and Staff Director*
CHARLES M. BRAIN, *Assistant Staff Director*
PHILLIP D. MOSELEY, *Minority Chief of Staff*

SUBCOMMITTEE ON TRADE

SAM M. GIBBONS, Florida, *Chairman*

DAN ROSTENKOWSKI, Illinois
ROBERT T. MATSUI, California
BARBARA B. KENNELLY, Connecticut
WILLIAM J. COYNE, Pennsylvania
L.F. PAYNE, Virginia
RICHARD E. NEAL, Massachusetts
PETER HOAGLAND, Nebraska
MICHAEL R. McNULTY, New York

PHILIP M. CRANE, Illinois
BILL THOMAS, California
E. CLAY SHAW, JR., Florida
DON SUNDQUIST, Tennessee
NANCY L. JOHNSON, Connecticut

CONTENTS

Page

Press release of Friday, May 14, 1993, announcing the hearing 2

WITNESSES

U.S. Department of Commerce, Jonathan Sallet, Senior Adviser to the Secretary, Office of Policy and Strategic Planning 7

Add Interior Systems, Inc., Jay Jacobs 125
American Federation of Labor and Congress of Industrial Organizations, Sheldon Friedman 136
Applied Strategies International, Ltd., Howard Yefsky 24
Champion Technologies, Inc., Patric M. Donahue 120
Florida Medical Industries, Stephen P. Angelillo 112
MidAtlantic Employers Association, Robert P. Hallenbeck, Jr 18
Midwest Trade Adjustment Assistance Center, Howard Yefsky 24
New England Trade Adjustment Assistance Center, Inc., Richard M. McLaughlin 34
Southeastern Trade Adjustment Assistance Center, E. Gerry Doubleday 41
Thompson Aluminum Casting Co., Robert M. Purgert 131
Tompkins Brothers Co., Inc., William E. Savage 116

SUBMISSIONS FOR THE RECORD

Andresen, Jack S., Energy Transformation Systems, Inc., Menlo Park, Calif., letter 148
Binghamton (N.Y.) University, Thomas F. Kelly, letter 144
Bonilla, Hon. Henry, a Representative in Congress from the State of Texas, letter 145
Burk, John W., Federal Bronze Casting Industries, Inc., Newark, N.J., letter . 149
Caratron Industries, Inc., Warren, Mich., William A. Morelli, Sr., letter 146
Conversion Equipment Corp., Orange, Calif., Mark Kato, letter 147
Creger, Margaret M., Great Lakes Trade Adjustment Assistance Center, Ann Arbor, Mich., statement and attachments 151
Dahlheimer, Donald J., Super Brands, Inc., Henderson, Nev., letter 173
DiGirolamo, John, Jerome Industries Corp., Elizabeth, N.J., letter 165
Energy Transformation Systems, Inc., Menlo Park, Calif., Jack S. Andresen, letter 148
Federal Bronze Casting Industries, Inc., Newark, N.J., John W. Burk, letter .. 149
Fischer, Eric C., Insulectro, Lake Forest, Calif., letter 164
Gates, William H., MidAtlantic Trade Adjustment Assistance Center, Blue Bell, Pa., statement 170
Goldfinger Hawaii, Inc., Honolulu, Hawaii, Steven D. Lee, letter 150
Great Lakes Trade Adjustment Assistance Center, Ann Arbor, Mich., Margaret M. Creger, statement and attachments 151

Page

Hawaiian Greenhouse Inc., Pahoa, Hawaii, Alan Kuwahara, letter 161
Houston Fearless 76, Inc., Compton, Calif., M.S. Lee, letter 162
Insulectro, Lake Forest, Calif., Eric C. Fischer, letter 164
Jerome Industries Corp., Elizabeth, N.J., John DiGirolamo, letter 165
Kato, Mark, Conversion Equipment Corp., Orange, Calif., letter 147
Kelly, Thomas F., Binghamton (N.Y.) University, letter 144
Kennelly, Hon. Barbara B., a Representative in Congress from the State of Connecticut, statement 166
King Bros. Industries, Valencia, Calif., Bob King, letter 167
Kuwahara, Alan, Hawaiian Greenhouse Inc., Pahoa, Hawaii, letter 161
Lee, M.S., Houston Fearless 76, Inc., Compton, Calif., letter 162
Lee, Steven D., Goldfinger Hawaii, Inc., Honolulu, Hawaii, letter 150
McGuire-Nicholas Manufacturing Co., City of Commerce, Calif., Paul Rademaker, letter 169
MidAtlantic Trade Adjustment Assistance Center, Blue Bell, Pa., William H. Gates, statement 170
Mink, Hon. Patsy T., a Representative in Congress from the State of Hawaii, letter 172
Morelli, William A., Sr., Caratron Industries, Inc., Warren, Mich., letter 146
Rademaker, Paul, McGuire-Nicholas Manufacturing Co., City of Commerce, Calif., letter 169
Super Brands, Inc., Henderson, Nev., Donald J. Dahlheimer, letter 173

TRADE ADJUSTMENT ASSISTANCE PROGRAM FOR FIRMS

THURSDAY, MAY 27, 1993

House of Representatives,
Committee on Ways and Means,
Subcommittee on Trade,
Washington, D.C.

The subcommittee met, pursuant to call, at 9:30 a.m., in room 1100, Longworth House Office Building, Hon. Sam Gibbons (chairman of the subcommittee) presiding.

[The press release announcing the hearing follows:]

FOR IMMEDIATE RELEASE
FRIDAY, MAY 14, 1993

SUBCOMMITTEE ON TRADE #7
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
1102 LONGWORTH HOUSE OFFICE BLDG.
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-1721

THE HONORABLE SAM M. GIBBONS (D., FLA.), CHAIRMAN, SUBCOMMITTEE ON TRADE, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES A PUBLIC HEARING ON THE TRADE ADJUSTMENT ASSISTANCE PROGRAM FOR FIRMS

The Honorable Sam M. Gibbons (D., Fla.), Chairman, Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives, today announced that the Subcommittee will hold a public hearing on the Trade Adjustment Assistance (TAA) program for firms, which has been proposed for elimination as part of the comprehensive economic plan presented to the Congress by President Clinton. The hearing will be held on Thursday, May 27, 1993, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 9:30 a.m.

The TAA program is administered by the Economic Development Administration of the Department of Commerce primarily through grants to 12 regional Trade Adjustment Assistance Centers (TAACs) that provide technical assistance to eligible small and medium-sized firms in adjusting to increased import competition. The program authorization under the Trade Act of 1974 expires on September 30, 1993. The current fiscal year 1993 appropriation for the program is $13.7 million; elimination of the program would result in an estimated total budgetary saving of $44 million in the 1994-1998 period.

The Subcommittee will be particularly interested in receiving testimony from the Administration on the basis for the proposed termination of the TAA program, and from TAACs and the private sector on the operation and administration of the program. The Subcommittee also seeks testimony on whether the program has been successful in assisting companies to adjust to increased foreign competition and on whether alternative government programs are available to assist trade-impacted firms. Testimony from the public hearing as well as written comments for the record that have been received in response to a request made on March 3, 1993 (press release #2) will assist the Subcommittee in considering possible TAA reauthorization.

DETAILS FOR SUBMISSION OF REQUESTS TO BE HEARD:

Requests to be heard must be made by telephone to Harriett Lawler, Diane Kirkland, or Karen Ponzurick [telephone (202) 225-1721] by noon Monday, May 24, 1993. The telephone request should be followed by a formal written request to Janice Mays, Chief Counsel and Staff Director, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. The Subcommittee staff will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the Subcommittee office [(202) 225-3943].

In view of the limited time available to hear witnesses, the Subcommittee may not be able to accommodate all requests to be heard. Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

(MORE)

Witnesses scheduled to present oral testimony are requested to briefly summarize their written statements. The full statement will be included in the printed record.

In order to assure the most productive use of the limited amount of time available to question hearing witnesses, witnesses scheduled to appear before the Subcommittee are required to submit 150 copies of their prepared statement to the Subcommittee on Trade office, room 1136 Longworth House Office Building, at least 24 hours in advance of their scheduled appearance. Failure to do so may result in the witness being denied the opportunity to testify in person.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:

Any interested person or organization may file written comments for inclusion in the printed record of the hearing. Persons submitting written comments for the printed record should submit at least six (6) copies of their comments by the close of business Friday, June 4, 1993, to Janice Mays, Chief Counsel and Staff Director, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements for the printed record of the hearing wish to have their statements distributed to the press and the interested public, they may provide 100 additional copies for this purpose to the Subcommittee office, room 1136 Longworth House Office Building, before the hearing begins.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. Statements must contain the name and capacity in which the witness will appear or, for written comments, the name and capacity of the person submitting the statement, as well as any clients or persons, or any organization for whom the witness appears or for whom the statement is submitted.

4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

* * * * * * * * * *

Chairman GIBBONS. Well, good morning, folks. As everyone knows, this is a meeting of the Ways and Means Subcommittee on Trade. Today the Subcommittee on Trade will receive testimony from the administration and from private sector witnesses on the Trade Adjustment Assistance Program for firms.

The program, which terminates on September the 30th of this year, provides technical assistance to small and medium-sized firms adversely affected by increased import competition. The administration has proposed the elimination of this program at a 5 year savings of $44 billion. On the other hand, the subcommittee has received many written comments, all in support of the program, from the regional trade adjustment assistance centers that provide technical assistance and from participating firms.

The purpose of this hearing today is to find out from the administration exactly what their proposal is and views on whether the operations and results of the program warrant its continuation. Given the limited time that we all have, particularly on this very busy day, I will ask all witnesses to summarize their testimony on the understanding that all of their statements will be printed in full in the public record.

Would any of you like to make a statement?

Mr. COYNE. Yes, thank you, Mr. Chairman. And I want to thank you first of all for agreeing to have these hearings that I think are of importance to many people. The Trade Adjustment Assistance Program, which has been in existence in one form or another for 30 years is intended to assist firms injured by increased competition from foreign imports.

Often increased imports are the result of the liberalization of U.S. trade laws. Liberalization of U.S. trade laws is the price this Nation pays for opening up new markets for U.S. goods and services abroad. The development of markets for American goods abroad accounts for a significant portion of American growth in the postwar era. America benefits from trade liberalization and increased imports, and in several other ways as well.

There is also a negative side of trade liberalization, however. Increased competition from overseas can put American firms and their employees out of business. The Trade Adjustment Assistance Program for firms has attempted to provide cost effective technical assistance to small and medium-sized firms adversely affected by foreign imports.

I welcome the opportunity to learn more about the impact that this program has had in addressing the dislocations created by increased imports. I hope that today's hearing will provide us with information on the need for adjustment assistance and the success of the current TAA program in providing such assistance.

I ask that my written statement be included in the record.

[The prepared statement follows:]

STATEMENT OF THE HONORABLE WILLIAM J. COYNE

MAY 27, 1993

WAYS AND MEANS SUBCOMMITTEE ON TRADE

HEARING ON TRADE ADJUSTMENT ASSISTANCE PROGRAM FOR FIRMS

Thank you, Mr. Chairman. I appreciate this opportunity to evaluate the Trade Adjustment Assistance Program for Firms before this program expires in September. Thank you for holding these hearings today.

The Trade Adjustment Assistance Program, which has been in existence in one form or another for 30 years, is intended to assist firms injured by increased competition from foreign imports.

Often increased imports are the result of the liberalization of U.S. trade laws. Liberalization of U.S. trade laws is the price this nation pays for opening up new markets for U.S. goods and services abroad. The development of markets for American goods abroad accounts for a significant portion of American growth in the post-war era. However, America benefits from trade liberalization and increased imports in several other ways as well.

Imported goods from other countries provide American consumers with more choices and lower prices. This variety and price competition improves out standard of living. Finally, increased competition from foreign companies, while often painful, can provide the necessary stimulus for U.S. companies to increase their productivity and efficiency -- IF THE COMPETITION IS FAIR. Consequently, the United States has a strong, abiding interest in pursuing international trade agreements such as GATT, the U.S.-Canada Free Trade Agreement, and NAFTA that open markets at home and abroad.

However, there is a negative side of trade liberalization as well. Increased competition from overseas can put American firms and their employees out of business.

Sometimes this competition is unfair, and in such cases the United States government should take the appropriate measures to address unfair competition such as dumping or foreign subsidies. In other cases, foreign companies may possess competitive advantages that their American counterparts do not. In such cases, the best long-run policy for the American government to pursue is to help American companies and workers to recognize and adapt to changes in the global economy.

In some circumstances, the competitive advantage that foreign firms possess may be overwhelming; in such cases, the rational policy may consist of easing the decline of such sunset industries and retraining and placing their employees in new jobs. The federal government operates a number of worker assistance and re-training programs for individuals displaced by foreign competition.

In other cases, American firms may be able to survive and prosper by changing the way they do business, or by developing new products or processes. In such cases, the U.S. government may want to provide the necessary assistance and expertise to small- and medium-size firms to allow them to adapt to the changing realities of global trade. It is often cheaper to help people keep their jobs than to re-train and re-locate them. It is certainly less painful for the families and communities involved. Consequently, it makes sense for the federal government to save existing jobs whenever possible.

The Trade Adjustment Assistance program for firms has attempted to provide cost-effective technical assistance to small- and medium-sized firms adversely affected by foreign imports. Since 1986, the program has focused exclusively on providing such firms with assistance in analyzing their businesses and in developing appropriate strategic plans for economic adjustment. The TAA program provides firms with the specialized expertise in marketing, finance, management, and manufacturing necessary to improve their competitiveness.

The Trade Adjustment Assistance program appears to have had a positive impact on a number of firms in Pennsylvania that were threatened by foreign imports. Between 1988 and 1992, the Mid-Atlantic Trade Adjustment Assistance Center (MATAAC), the Trade Adjustment Assistance Center serving Pennsylvania, assisted 24 clients. These 24 firms lost 1,049 jobs and $79.5 million in sales in the two years before they were certified as eligible for the program. In the two years after certification, these same firms created 1,771 new jobs and achieved $197.3 million in sales as a result of participation in the program. During this time, the Mid-Atlantic Trade Adjustment Assistance Center had an annual operating budget of roughly $1 million. MATAAC estimated that each federal dollar spent resulted in a $500 dollar increase in participating company sales. These figures suggest that the Trade Adjustment Assistance program can have a dramatic impact on small businesses hurt by foreign competition. In addition, the fact that these firms are willing to pay close to half of the cost of participating in this program suggests that participants believe the program produces tangible results.

President Bush proposed eliminating TAA, and the Clinton Administration appears to have inherited this position. However, if NAFTA is approved, a number of American firms will undoubtedly experience significant disruption and dislocation, and there will be an increased need for adjustment assistance. If the TAA program is successful in saving jobs, this appears to be an inappropriate time to eliminate it.

I welcome the opportunity to learn more about the impact that this program has had in addressing the dislocations created by increased imports. I hope that today's hearing will provide us with information on the need for adjustment assistance and the success of the current TAA program in providing such assistance. Thank you, Mr. Chairman.

Chairman GIBBONS. Yes, sir, it will, Mr. Coyne. That was a good statement and I want the public to know that since I have to go to a whip meeting at 10 o'clock on the bill that is the center of controversy today, the reconciliation bill—I have asked Mr. Coyne to take over during that time and I will be right back as quickly as I can.

STATEMENT OF JONATHAN SALLET, SENIOR ADVISER TO THE SECRETARY, OFFICE OF POLICY AND STRATEGIC PLANNING, U.S. DEPARTMENT OF COMMERCE

Chairman GIBBONS. Our first witness this morning is Mr. Jonathan Sallet, who is from the Office of the Secretary of the Department of Commerce.

Mr. SALLET. Mr. Chairman.

Chairman GIBBONS. Good morning.

Mr. SALLET. Congressman, we appreciate the opportunity to appear before you today in support of the administration's fiscal 1994 budget which, as you know, proposes to eliminate funding for the Trade Adjustment Assistance Program for firms and industries. This subcommittee under your leadership, Mr. Chairman, has a long record in support of trade policies that strengthen domestic industries, and it is fitting that you are holding this hearing this morning to examine whether there is a continuing need for this program to help certain firms adjust to competition from imports.

I should note before I talk specifically about the program which is administrated by our Economic Development Administration that the proposal to eliminate the TAA program does not indicate any lack of commitment by this department or Secretary Brown to use the resources of the EDA to help get the economy growing again. Nonetheless, the department's budget for fiscal year 1994 does propose to eliminate this program, the authorization for which expires on September 30 of this year.

We make this proposal because of the need for fiscal restraint and not out of any philosophical aversion to helping firms become more competitive. Indeed, a hallmark of this administration's economic policy is the need to make American firms more competitive, to be able to compete more effectively in the worldwide economy.

However, in developing the President's budget, hard choices had to be made in order to contribute to the administration's comprehensive program to invest in America while decreasing the Federal budget deficit.

Given reasonable alternatives to the TAA program available from other Federal programs, we determined that on balance, funds previously devoted to that program could be better used to reduce the Nation's budget deficit. As you are aware, the TAA program is intended to provide a firm, harmed by competition from imports, with assistance to help adjust to that competition.

The 12 TAA centers that carry out the program carry out this assistance first by determining eligibility for the program's benefits. Before a firm may receive adjustment assistance, the statute requires the Department to engage in a certification process which inquires as to whether increased imports of articles like or directly competitive with those of the firm contributed importantly, that is the statutory language, "contributed importantly to the decline."

Once certified, a firm can then apply to a center to help develop a recovery strategy that consists of diagnostic analysis of factors that caused the problems and a plan to help overcome them.

And finally in the third stage, the provision of implementation assistance to carry out the plan frequently involves upgrading production technology and quality control processes. I know, Mr. Chairman, that supporters of the program say that the program provides the only source of intensive assistance to help firms respond to import competition and I am sure during the course of this hearing today the subcommittee will receive testimony that attests to the accomplishments of the program from those who have benefited from its assistance. We do not doubt those accomplishments.

There are, however, several factors that support the Department's determination to accord the program lower priority. First, the eligibility criteria may not match the need, that is to say, the program includes only certain firms that are impacted by trade competition, those with which the import of articles are determined to have contributed importantly to a decline in sales or production or employment. It does not include, for example, a domestic supplier firm that may have lost sales because its customer, a domestic manufacturer's own products were displaced by imports. Nor does it include firms that have lost contracts overseas because a foreign government decides to close its market to American exports.

Of course, the Congress has considered amendments over the years to expand or change the eligibility requirements, but those expansions have not ever gone into effect. On the other side of the street, firms are allowed to participate in the TAA program as long as there is a finding that imports contributed importantly to the change in economic circumstances even if competition was not a principal cause of the firm's problems.

In other words, there are these criteria operated in a way that create a specialized program dealing with only one aspect of the trade issues.

Now, in looking at this, we noted the availability of other programs that can provide assistance of a similar kind. EDA itself funds a university center program with grants in virtually every State, the Minority Business Development Agency at the Commerce Department funds a network of 107 minority small business development centers.

The Small Business Administration funds a small business development center program that is located in every State. In addition, the major part of the President's investment initiative for the Department of Commerce involves expanding the manufacturing technology assistance centers at the National Institute of Standards and Technology.

Let me pause just for a moment to talk about those manufacturing centers because they go to the President's and the Secretary's commitment to manufacturing. In 1988 Congress passed the Omnibus Trade and Competitiveness Act, thereby providing authority for NIST to institute the manufacturing technology centers and State technology extension programs, both of which are now in their 50th year of operations.

The goal of these programs has been the transfer of technology to help small and medium-sized manufacturers become more competitive. The program recognizes that small manufacturers need assistance in all facets of their operations. These programs have already begun to bring a full range of services to manufacturers through linkages with other organizations, including NIST laboratories, universities, community colleges and other programs.

Moreover, the Department has requested funding for a manufacturing extension partnership, a national program to modernize America's manufacturing base, following directly upon the President's campaign commitments. This partnership seeks to mobilize existing sources of manufacturing technology, advanced manufacturing practices, and business assistance, and to link them together to State and local assistance providers and U.S. manufacturers. It is our hope that by fiscal 1997 we will have in place over 100 outreach centers, along with other grants and linkage activities.

In conclusion, Mr. Chairman, let me say we recognize that these programs may not be a perfect replacement for the TAA program. Nonetheless, at a time of severe budgetary constraints, we are forced to make hard choices. It is our judgment that the availability of other programs helps meet the goals of the TAA program while allowing the administration to achieve the importance of greater budget deficit reduction.

And so let me say that I appreciate the opportunity to address the subcommittee and I will be pleased of course to answer any questions that the subcommittee may have.

Thank you.

[The prepared statement follows:]

Testimony of Jonathan Sallet
Senior Adviser to the Secretary
U.S. Department of Commerce
before the
Subcommittee on Trade
Committee on Ways and Means
May 27, 1993

Mr. Chairman, and Members of the Subcommittee, I appreciate the opportunity to appear before you today in support of the Administration's FY 1994 budget, which proposes to eliminate funding for the Trade Adjustment Assistance (TAA) Program for firms and industries. This Subcommittee has a long record in support of trade policies that strengthen domestic industries and it is fitting that you are holding this hearing to examine whether there is a continuing need for a special program to help certain firms adjust to competition from imports.

As should be evident from the President's budget request for the Economic Development Administration, the proposal to eliminate the Trade Adjustment Program for firms does not indicate any lack of commitment to use the resources of the Agency to help get the economy growing again. Secretary Brown strongly supports utilizing EDA's programs to address problems of employment growth and has made EDA an integral part of the Department's plans for working with the private sector to enhance long-term economic opportunity.

Nonetheless, the Department's budget for fiscal year 1994 proposes to eliminate funding for the TAA Program for firms, the authorization for which expires on September 30, 1993. We make this proposal because of the need for fiscal restraint and not out of any philosophical aversion to helping firms become more competitive. However, in developing the President's budget, hard choices had to be made in order to contribute to the Administration's comprehensive program to invest in America and to control the deficit. Given reasonable alternatives to the TAA Program available from other Federal programs, we determined that, on balance, funds previously devoted to that program could be better used to reduce the Nation's budget deficit.

As you are aware, the TAA Program is intended to provide a firm harmed by competition from imports with assistance to help it adjust to that competition. The 12 Trade Adjustment Assistance Centers that carry out the program provide this assistance first with respect to determining eligibility for the program's benefits. Before a firm may receive adjustment assistance, the statute requires the Department to certify that the firm has suffered a decline in sales or production and employment, and that increased imports of articles like or directly competitive with those of the firm "contributed importantly" to such decline. This certification process delays the delivery of adjustment assistance. Once certified, a firm can then apply to a center to help develop a recovery strategy that consists of a diagnostic analysis of the factors causing the problems and an adjustment plan to overcome those problems. The third stage is the provision of implementation assistance to carry out the adjustment plan which frequently involves upgrading production technology and quality control processes.

Supporters of the TAA Program argue that the program provides the only source of intensive assistance to help firms respond to import competition.[1] During the course of the

---

[1]The scale of assistance that can be provided to implement adjustment plans is indicated in the data from the program during FY 1992: the Department approved adjustment proposals with respect to 126 firms that called for $8.5 million in technical

hearing, I am certain the Subcommittee will receive testimony that attests to program accomplishments from those benefitting from the assistance. Given the intensive nature of the assistance provided to implement adjustment plans, we do not doubt those accomplishments.

There are several factors that support the Department's determination to accord the program lower priority. First, the program eligibility criteria may not match the need. The program includes only certain firms impacted by trade competition -- those with respect to which imports of articles directly competitive with articles produced by the firm "contribute importantly" to a decline in sales or production, and employment. It does not include those domestic supplier firms that have lost sales because their customers' product was displaced by imports, not does it include those firms which have lost contracts overseas because a foreign government decides to close its market. The Congress has considered amendments over the years to expand eligibility to cover service and supplier firms, but such expansion would force either greatly increased appropriations or significantly reduced services. On the other hand, the criteria of the TAA Program permit inclusion of all firms where imports "contributed importantly" to the decline, even if there is no evidence that the competition was the principal cause of the firms' problems.[2]

Another factor supporting our decision is the availability of other programs. There are other Government programs that we believe can provide assistance. EDA itself funds a University Centers Program with grants in virtually every state, the Minority Business Development Agency here at Commerce funds a network of 107 minority small business development centers, and the Small Business Administration funds a Small Business Development Centers Program. In addition, the major part of the President's investment initiative for Commerce involves expanding the manufacturing and state technology assistance centers at the National Institute of Standards and Technology (NIST).

With respect to the NIST programs, I would note that the Office of Technology Assessment report to the Congress on the TAA Program in 1987 recommended an assessment of the TAA Program because "experience with the TAA may be a useful guide for other industrial extension services." The report also noted that --

> [A]n alternative to broadening eligibility for TAA services is to offer industrial extension services to any manufacturing firm that needs to improve its management and technology. Possible models for this kind of service, open to all, range from the highly competent but time-limited assistance offered by Georgia Tech's Industrial Extension Service to the venerable Agriculture Extension Service... .[3]

---

assistance, an average of over $67,000 per firm, with a 57 percent Federal cost share ($38,000).

[2]The 1962 version of the Act initially required a finding that a firm had suffered serious injury from imports as a result "in major part" of trade concessions. However, no firms were ever certified for assistance until the eligibility rules were relaxed. U.S. Congress, Office of Technology Assessment, *Trade Adjustment Assistance: New Ideas for an Old Program--Special Report*, OTA-ITE-346 [Washington, DC: U.S. Government Printing Office, June, 1987], at page 31.

[3]U.S. Congress, Office of Technology Assessment, *Trade Adjustment Assistance: New Ideas for an Old Program--Special Report*, at pages 59 and 66.

Since that report was issued, Congress passed the Omnibus Trade and Competitiveness Act of 1988, thereby providing authority for NIST to institute the Manufacturing Technology Centers (MTC) and State Technology Extension (STEP) programs, both of which are now in their fifth year of operations. The goal of these programs has been the transfer of technology to help small- and medium-sized manufacturers become more competitive. The program recognizes that small manufacturers need assistance in all facets of their operations, including management, marketing, finance, and training. The MTC and STEP programs have brought a full range of services to manufacturers through linkages with other organizations, including NIST internal laboratories, universities, community colleges, state industrial extension services, other federal agencies,[4] commercial consulting firms, focus groups of companies, and others.

The Department has requested funding for the Manufacturing Extension Partnership (MEP), a national program to modernize America's manufacturing base. This Partnership seeks to mobilize existing sources of manufacturing technology, advanced manufacturing practices, and business assistance and link them to state and local assistance-providers and U.S. manufacturers via nationwide networks. By FY 1997, NIST intends to have in place over 100 outreach centers, along with active STEP grants and linkage activities.[5]

These programs may not be a perfect replacement for the TAA Program. Nonetheless, at a time of severe budgetary constraints, we must make difficult choices. It is our judgment that the availability of other programs helps meet the goals of the TAA Program, while allowing the Administration to achieve greater budget deficit reduction.

Thank you for providing me the opportunity to address the Subcommittee. I will be pleased to answer any questions the Subcommittee may have.

---

[4]The Small Business Administration, the Department of Labor, the Department of Energy, the Department of Defense (ARPA and ManTech).

[5]Achieving this target will depend on the level and distribution of "defense conversion" and related funding over the next four years, as well as the number of strong proposals received from the various parts of the country.

Chairman GIBBONS. I think you made a good presentation there and I understand the rationale for what you are doing, but I am concerned that really what we are saving is about $8.5, $8.25 million or $8 plus million a year, and you have other outreach programs that you carry on.

Does the loss of this program, the phasing out of this program in any way inhibit what the Department of Commerce can do under its other powers that the Congress has granted to it?

Mr. SALLET. No, Mr. Chairman, it does not. The other programs reach more broadly to the manufacturing base as a whole. They will provide assistance and indeed we can see no reason why these technical assistance adjustment centers themselves would not be eligible to apply to participate in the manufacturing technology centers and the extension programs and the outreach centers.

We feel a strong commitment to manufacturing and to preserving and improving the competitiveness of America's manufacturing base. We do not believe that the loss of this program alone would impact adversely on our ability to carry out and implement that vision, and so we are quite comfortable, Mr. Chairman, that even going forward without this program, assuming that the budget in its present form that the President announced goes forward, that we can get the funding for the manufacturing centers that we need, that we will be able to deal with the problems in the years ahead.

Chairman GIBBONS. You mention manufacturing centers, but as I understand it, these trade adjustment assistance centers offer a broader, I believe, range of assistance programs than just the manufacturing centers can. Is there anything within the basic laws that control your department, is there anything that would inhibit you from going in and doing the same or almost identical things that you are now doing in these trade adjustment centers through the other centers that you have around the country?

Mr. SALLET. I believe that the laws governing the manufacturing technology centers and the extension programs would be broad enough to allow these centers to go in and make application to join the extension programs.

I am not suggesting that I can say that in every detail the two programs are identical, but, in terms of their focus on manufacturing base and on assisting manufacturers, particularly in taking new technology and using it in a way that advances either manufactured products or the manufacturing processes, then it seems to me that the goals are very similar.

I have specifically asked staff whether these centers could apply, as I have mentioned before, to be eligible and participate in the extension programs and I have repeatedly been told that they would be able to do so.

Chairman GIBBONS. I have to go to that vote counting-vote round-up exercise that we are carrying out this morning in order to get the President's program enacted this afternoon. So I am going to turn this over to Mr. Coyne and I will be back as soon as I can.

Mr. SALLET. Thank you, Mr. Chairman.

Chairman GIBBONS. Mr. Coyne.

Mr. COYNE [presiding]. Thank you, Mr. Chairman. Mr. Sallet, your testimony indicates to me that the prime mover in attempting to do away with this program is budgetary.

Mr. SALLET. Yes, sir. As you know and as the debate on the Hill in the last few weeks has demonstrated, making real budget deficit reduction requires a number of very hard choices. We are not saying this is a bad program, nor are saying it is a program that hasn't bestowed benefits.

We are saying to reach real deficit reduction and all of the advantages that that brings, and many of those advantages of course go to America's business communities in the form of lower loan interest rates and other helpful macroeconomic conditions, but in our attempt to reach that goal, we have had to make some difficult choices and this is among them.

Mr. COYNE. Would you go so far as to say this has been a successful program and that it works and that many companies and workers have benefited by the implementation of it?

Mr. SALLET. I asked the staff at the Department of Commerce whether there had been any comprehensive evaluation of the program done by the Department in recent years and I was told that, in fact, there has not been. I have no doubt that people testifying later today will provide evidence of benefits and I am not here to quarrel with that.

On the other hand, I think it is only fair to note that we are not in possession of a comprehensive evaluation of the program as a whole.

Mr. COYNE. Can a study be done, or some kind of analysis on the effectiveness of the TAA program, before the September 30th deadline?

Mr. SALLET. Well, we would be happy of course to continue to look at the program, but I think it is important to note that based on the evidence we have to date, and I note the lack of a comprehensive program evaluation, nonetheless, the President's budget, parts of which will be voted on later today in the House of Representatives, proposes this for elimination. That is the President's position.

It is a difficult choice for us, but we feel it is necessary to achieve other economic goals.

Mr. COYNE. Is there any program within the Small Business Administration that might take on this role?

Mr. SALLET. That is an important question, sir, and I appreciate your asking it. Let me start with a more general statement. We have been talking already with the Small Business Administration about how we can effectively meld the programs of the Department of Commerce and the Small Business Administration to make them work effectively together.

Indeed, we are beginning to set up work sessions between the SBA and the Department of Commerce to talk not about turf but about goals, about how we can work together to try to implement programs in a joint and efficient fashion.

Now, I have talked about our manufacturing technology centers and our extension program. Your question quite rightfully brings to mind the small business development centers which exist in each State—I believe there is 57 and I believe there is more—I may be

wrong on this number, but more than 750 networking centers around the country.

People I have talked to about those programs judge them to be successful. There is a commitment I understand to continue to upgrade those services. They provide a wide variety of business assistance. They are not focused just on manufacturing, but the combination of those kinds of centers, along with our manufacturing emphasis, we feel can provide a national network of support, provided of course that we get the funding that we have sought for those programs in the years ahead.

Mr. COYNE. I just think it would be useful to know before we go ahead and eliminate this program at the end of the fiscal year what effect it has had on unemployment and what effect it has had on the sales of the firms that have participated in the program. I would be happy to work with you before that time to see if some analysis can be made to attempt to save the program.

Mr. SALLET. We would appreciate the chance to work with the subcommittee staff and with your staff, of course, to learn more about the issues that arise out of here because, sir, it is obvious to us that whether this program is eliminated or not, there are important needs that remain, important issues that need to be confronted in the years ahead and we are committed to confronting those issues and working with you to do so.

Mr. COYNE. Thank you. Mrs. Johnson.

Mrs. JOHNSON. Thank you, Mr. Chairman. Having seen this program work quite well in some instances in my district, which is an older manufacturing district heavily impacted by the move of America into a global economy, I am very conscious of the fact that it has a very narrow focus.

We spend a lot of time trying to prove whether the loss is or is not related to trade. Sometimes when you can clearly see from experience it is related to trade, it can't be proved to be related to trade.

And so painful as it is, I think eliminating this program may be a wise decision. I don't think eliminating the money is a wise decision, because I think the need for job training is simply so great that we can't at this juncture justify a pull back.

Frankly, I am not on the Budget Committee and I don't know if it is offset elsewhere. As we look ahead, there are two questions that I would like to ask you. One is, and I am glad to hear that you are talking to the SBA; do you talk to Labor?

Mr. SALLET. Yes, I was in a meeting with Secretary Reich yesterday and in fact told him that I was coming up here this morning to do this testimony and talk about these issues. Secretary Brown and Secretary Reich have been talking a lot, and have been working together to deal with these kinds of questions. There is a series of projects under way.

So I can assure that you we are in close contact with the Labor Department.

Mrs. JOHNSON. I am just going to mention legislation I am going to be introducing because it won't be perfect and it will draw a lot of criticism, but I am not in a position to make it perfect.

I am not on the right committees, but I think it is an important concept and I am going to introduce it anyway and take the flak.

When I look at the Federal role in training, there are over 1,224 funding streams. This stream comes through the Department of Commerce from a narrow group. It takes the administrative time of the 12 regional centers throughout the country. Then we have got SBA.

So the amount of Federal dollars that is going into administrative work in the area of job training is extraordinary relative to the amount that actually gets down there to provide training and relative to the benefit of that training to individuals and its appropriateness. And so I hope that as you talk about these things among the Department of Commerce, SBA and Labor, that you will seriously consider lumping together those programs and moving a lot of that money into something that is an expansion of the targeted jobs tax credit that is not nearly so narrow as that credit and that addresses the need of companies to retrain on a continual basis and upgrade skills.

Just two things I want to mention. In the job security debate that is going on in Connecticut in regard to whether United Technologies is or is not going to manufacture in the Northeast, the issue of job security is beginning to take the form of skill capability, and just as in the service sector, my kids as they grow up are looking at broadening their resumes, so in the manufacturing sector we have to look at broadening skills and capabilities as the measure of security and what are employer and employee obligations with that goal in mind if we are really going to move forward.

So I think a targeted jobs tax credit or some kind of tax credit capability gives us a better lever to support skill breadth because a lot of it is on the job and we shouldn't be overlooking that.

The second point I want to make along the same line is I am working with a very sophisticated group. I don't take credit for it. They did it themselves, this group of unemployed people in Connecticut in which we have a lot of very well trained, very well educated, very long unemployed people, and they have taught me a lot. I think the Government could learn from them with the kinds of seminars they run for themselves as unemployed people as opposed to the kind of seminars we run for people who are unemployed, and that has been very useful to see, but also the feedback to me from them is that when they go into new jobs, and one of them gave me a very clear example, he was very skilled at computer programming, learned a more sophisticated type of programming, and yet with all his ability, all his experience, and this was a top of the line person, the company he was working for was saying, you are just not of much use to us for 6 months, and what we are really talking about for your level of sophistication is a year-and-a-half.

So for the Government to be able to provide 3 months of a tax credit for this company is a drop in the bucket. We have to look at the systemic support we provide, not just at the high school equivalency and computer training, very primitive level of training that we currently think about and how do we support the systemic integration of the unemployed, how do we support skill change and development, and that kind of question.

So I hope you will take seriously the possibility of putting more job training in a sense under this committee, because it has got to be more flexible.

Mr. SALLET. Of course, that is precisely the right question. Job training issues of course largely and primarily are the province of the Department of Labor and as you know, tax issues are issues that generally do not fall within the domain of the Department of Commerce, but if I might make a more generalized comment.

We have been talking with the Department of Labor and with other people about how to have Government programs that work toward the same end. We have training programs on one side of the ledger. We have on the other side of the ledger programs like our manufacturing technology center programs, but they all go together to create a match between a private firm that wants to increase employment and workers who want to be gainfully employed.

Now, it is very important that we work toward the same end, that we talk to industry and private sector businesses, but the kinds of training programs that would be helpful to them about how our manufacturing technology centers can work with them and to help them work with their workers.

Mrs. JOHNSON. See, that is not enough in my estimation. When we sit here as lawmakers and bureaucrats, we see it fits together. The little guy out there never figures that out, and even the centers don't reach him well enough or her well enough to help him or her figure it out.

So I think we have got to look at radical simplification so that we can communicate with the people who are paying for Government so they can actually benefit from the programs. Having done this at the State level as a State senator and in Congress, which been interested in it over many years, I can tell you we have a great small business development center in Connecticut. The number of people they ever touch is relatively small—so we really have to find a far more systematic way to sink in training dollars and simplify our programs so the public can understand what it is they have access to.

Mr. SALLET. Can I speak to the second point because tax changes are far beyond my expertise, although I understand your point about the need to confront all of these issues first on a macroeconomic level. Of course the President's budget and cutting of the budget deficit is one first and critical step to taking just such action, but your last comment about the importance of simplifying these programs is something that is very important to us.

You have noted that these programs do not reach everybody who could benefit from them. We hope to improve that and we hope to simplify them, in part make by making sure that they are driven by local communities and local businesses who understand better than we will what is required and how Federal assistance can best be used in those communities.

I understand your point and, believe me, we are working as hard as we can to try to achieve a more efficient, more effective response to the problems you note.

Mrs. JOHNSON. Thank you.

Thank you, Mr. Chairman.

Mr. COYNE. Thank you, Mrs. Johnson.

Mr. Sallet, appreciate your testimony and look forward to working with you.

Mr. COYNE. The next panel consists of Robert Hallenbeck, Howard Yefsky, Richard McLaughlin, and E. Gerry Doubleday.

Mr. Hallenbeck, you may begin.

STATEMENT OF ROBERT P. HALLENBECK, JR., PRESIDENT, MIDATLANTIC EMPLOYERS ASSOCIATION, VALLEY FORGE, PA.

Mr. HALLENBECK. Thank you, Mr. Coyne. We appreciate the opportunity to testify to the committee today. I have submitted my statement for the record. Let me summarize it and address two points that Mr. Sallet spoke to.

First of my all my name is Robert Hallenbeck. I am president of the MidAtlantic Employers Association. We are located in Valley Forge, Pa., we serve as the sponsoring firm for the Mid-Atlantic Trade Adjustment Assistance Center which serves Delaware, Maryland, Pennsylvania, Virginia, West Virginia and the District of Columbia.

Two points that you questioned. First with regard to statistics relating to the performance of the program. We have compiled those statistics ourselves and let me summarize them for you generally. First of all, we did a survey of the firms who have participated in the program and we found that in recent years, we have saved and created through the Trade Adjustment Assistance Program with those firms 41,257 jobs, and those companies who were participating in the program through declines in sales have reversed those declines to maintain and create new sales of $3.4 billion.

Since 1978, the TAA program has retained 267,000 manufacturing jobs, according to a report of the Chamber of Commerce National Center for Manufacturing. Those jobs have had a $7.3 billion impact on the economy. The savings, including $534 million in personal income, $4.5 billion in weekly payroll, $1.1 billion in unemployment benefits, and various other figures attributed to unemployment compensation, FICA wages and bank deposits.

In our own mid-Atlantic area, we have administered the program since 1988 with a total of only $4.4 million. During that time, a total of 133 firms have participated and we have saved 6,320 jobs just in our own region. We have created 1,771 new jobs. And the Federal investment for each of those jobs has been only $710.

In return for that $710 investment, the new jobs have created income, Federal and State tax revenue and secondary income at an average annual rate of $7,260 per job. Based on the amount of Federal dollars expended, $710, the return on investment, $7,260, is a return on investment percentage of 1020 percent.

Secondly, Mr. Sallet spoke to other programs that it is his opinion he feels could take the place of or absorb the Trade Adjustment Assistance Program. With regard to two of those specifically, the manufacturing technology centers focus on technology, not on 80 percent of the problems that are faced by the firms who we work with. Our firms have problems in areas like marketing, finance, resource management, production and production control and processes and general business strategies, not something—not areas that the manufacturing technology centers work in.

Secondly, the small business development centers were also mentioned. Those development centers address the important retail and service sector of the economy, not the manufacturing base. To

merge our program into theirs or their program into ours would be difficult and more costly because of the various nuances between them.

I would call your attention to two more things. First of all, with regard to labor support for the Trade Adjustment Assistance Program, the AFL–CIO is scheduled to appear here this morning and we think that is very significant.

Secondly, I will close by saying that I hope that we all can remember and the committee will take into account that all the money that is eventually dedicated to job training and retraining in America will fail and be wasted if there are no jobs available for the trained and retrained worker. Only viable businesses can provide these jobs and the work of the trade adjustment assistance centers over the years has made these firms viable and made them more successful.

Thank you.

[The prepared statement follows:]

TESTIMONY OF

ROBERT P. HALLENBECK, JR.

TO THE

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

My name is Robert P. Hallenbeck, Jr. I am the President of the MidAtlantic Employers Association. The MidAtlantic Employers Association is a full service regional association that represents over 1,350 manufacturing and service firms located in Pennsylvania, Delaware, Maryland and New Jersey. Our member companies employ over 284,000 in the four state region. Our headquarters is in Valley Forge, Pennsylvania, and we have branch offices in Allentown, Pennsylvania, and Marlton, New Jersey.

The MidAtlantic Employers Association is the sponsoring firm for the Mid-Atlantic Trade Adjustment Assistance Center (MATAAC). The MATAAC is required to implement the Trade Adjustment Assistance program for business firms on behalf of the United States Department of Commerce in the five state region of Delaware, Maryland, Pennsylvania, Virginia, West Virginia, and in the District of Columbia.

I am providing this testimony as a designated representative of the twelve organizations that sponsor Trade Adjustment Assistance Centers around the nation. Those sponsors include, but are not limited to, the University of Michigan, the University of Southern California, the University of Missouri, Georgia Tech University, and the University of Texas-San Antonio.

The Trade Adjustment Assistance program for firms has, much to our bewilderment, been proposed for elimination in the Administration's Fiscal Year 1994 budget. This proposal is surprising because it appears contradictory to many of the President's stated goals to re-establish the American economy through job creation and business expansion.

As you know, TAA was authorized by the Trade Act of 1974 to strengthen U.S. manufacturing firms impacted by foreign imports. Through technical assistance and consulting services, TAA has applied sound management principles and addressed specific targeted needs in small and medium domestic manufacturing firms. Traditionally, the program has addressed deficiencies in management, marketing, finance, and manufacturing processes. This involvement has allowed these firms to remain competitive and expand. Because of the flexibility of the TAA program, the twelve TAAC's have also assisted in improving firms by export promotion, new product development, investment financing, information systems integration and production control, among others.

It is wrong to assume that small business management maintains all the requisite skills necessary to compete against foreign imports. It is correct to state that the TAA program has assisted these managers by analyzing all aspects of their firm; developing firm business plans; and implementing strategies that have corrected firm weaknesses while expanding on the businesses' strengths.

The positive results of the TAA program for participating firms have been substantial, and because of this return on investment we question the decision to eliminate this program in the current economic environment.

Please remember that TAA requires a commitment from the participating firm. Generally, clients account for forty to fifty percent (40-50%) of the cost of implementing the strategies developed by TAA to improve their businesses. Since 1988, a total of 379 firms nationwide have completed some aspect of business and technical assistance. In doing so, these firms have reversed declines which had occurred in their sales and employment prior to participation in TAA.

These firms, responding to a recent TAA survey, indicated that the program has <u>saved and created 41,257 jobs nationwide</u>. Likewise, these companies had suffered sales declines which were reversed to <u>maintain and create sales of $3.4 billion</u>!

Since 1978, the TAA program has retained 267,000 manufacturing jobs, according to a report of the Chamber of Commerce National Center for Manufacturing. These jobs have had a $7.3 billion impact on the economy, including saving $534 million in personal income, $4.5 billion in weekly payroll, $1.1 billion in unemployment benefits, $113 million in unemployment compensation, $638 million in FICA wages, and $427 million in bank deposits. All of this has been accomplished with a 15 year investment of $204 million by the federal government.

For instance, the Mid-Atlantic TAAC has administered $4.4 million of federal funding since 1988. A total of 133 firms have participated in the program during this time, and 6,320 jobs, including 1,771 new jobs, have been saved and created. The federal investment per job has been $710.

In return for that federal investment, these 6,320 jobs have created direct income, federal and state tax revenue, and secondary income at an average annual rate of $7,260 per job. Based on the amount of federal dollars expended, the return on investment in terms of revenue generation has been 1,020%. By the way, the average manufacturing job saved or created has paid $25,000 annually.

These results demonstrate an existing record of past achievement in strengthening America's industrial competitiveness and creating jobs in the manufacturing sector. We believe President Clinton's goal to do the same is admirable, and we feel that TAA has, and continues to, contribute to such a result. Despite claims that TAA does not restore the international competitiveness of the firms it assists, we ask you to seriously analyze the 379 firms which have participated in TAA since 1988. Those firms have recognized double digit percentage increases in sales and employment since beginning participation in TAA.

Finally, the current Administration proposal eliminates TAA, the only federal program which assists small manufacturing firms by providing in-depth, long-term assistance which integrates all areas of the business into a strategic plan designed to improve a firm's competitiveness.

The Department of Commerce's Manufacturing Technology Centers focus on technology, not on 80% of the problems faced by firms, such as marketing, finances, resource management, and business strategies uniquely oriented to the firm. Small Business Development Centers address the important retail and service sector of the economy rather than the manufacturing base. To merge these programs will be difficult and more costly because of the various nuances between them.

Finally, we admire the President for recognizing the problems of import impaction and his proposals to increase funding to support retraining activities for workers displaced by import impaction. The TAA program has demonstrated its ability to 1) save jobs, 2) have firms bear the major costs for training, thereby reducing the federal funds needed for retraining, and 3) reduce unemployment compensation costs while increasing income tax revenues and disposable dollars.

Finally, the TAA program for manufacturing firms has the support of diverse organizations such as the AFL-CIO, the U.S. Chamber of Commerce, the American Foundrymen's Society, the Turnaround Management Association, and the Clothing Manufacturers Association of the United States of America.

To all the members of this Committee, Congress, and the Administration, I would deeply encourage you to reauthorize TAA for manufacturing firms for ten years. In considering to do so, I hope we can all remember that all the money dedicated to job training and re-training in America will fail and be wasted if there are no jobs available to the trained or re-trained worker. Only viable businesses can provide those jobs. TAA for firms exists as testament to a successful program that has kept businesses viable, saved and created jobs, and made exponential financial returns into the economy. It is a partnership of labor, business, and government that has proven successful. It at least deserves continued existence through reauthorization and FY '94 funding at present levels of $14.5 million. At most, it should be used by this Administration as a model for other federal programs dedicated to job creation and economic expansion.

Thank you for this opportunity to bring this matter to your attention. I hope you will seriously consider this request.

Mr. COYNE. Thank you Mr. Hallenbeck.
Mr. Yefsky.

STATEMENT OF HOWARD YEFSKY, EXECUTIVE DIRECTOR, MIDWEST TRADE ADJUSTMENT ASSISTANCE CENTER, AND PRESIDENT, APPLIED STRATEGIES INTERNATIONAL, LTD.

Mr. YEFSKY. Thank you. I also appreciate the opportunity to testify before this committee today and wish to express my thanks for the time extended to me. I have been associated with the Midwest Trade Adjustment Assistance Center in Chicago for over 10 years now.

I currently serve as the executive director for the Midwest TAAC. In addition, I have been associated with the sponsor organization, Applied Strategies International, and I serve as the president of that organization. During the past 10 years, the Midwest TAAC has provided valued assistance to well over 500 firms in the Midwest area which employ tens of thousands of workers. We cover the States of Illinois, Wisconsin, Minnesota and Iowa.

As of this month, there are 47 Midwestern firms participating in the program which employ approximately 6,600 manufacturing workers.

During this 10-year period, the program has had some significant successes as mentioned in the previous testimony. This is evidenced by substantial increases in sales, jobs, profitability that have been reported by the firms receiving trade adjustment assistance.

In the 4 years from 1988 to 1992, 379 firms nationally have completed at least one assistance project. These 379 firms employed over 38,000 workers prior to receiving assistance. They now employ over 41,000 workers, so that as a result of trade adjustment assistance, there is an increase of almost 3,000 manufacturing jobs or 8 percent.

These same firms have report the sales increases from $2.6 to $3.4 billion, or an increase of $800 million or over 30 percent. All of this is shown in the attachment to my testimony which I believe is a very comprehensive analysis of the Trade Adjustment Assistance Program and we would be happy to supply anyone that wishes to have a copy of that analysis, those are available.

Mr. COYNE. You can submit that for the record then.

Mr. YEFSKY. Yes. There appears to be a definite linkage then between trade adjustment assistance and the improved competitiveness by the small- and medium-sized manufacturing firms. In recognition of this, in the past, Congress has given its support of this program despite the administration's elimination over the last 12 years.

The current administration has announced objectives to stimulate the economy by investing in America through job creation and business expansion which parallels the Trade Adjustment Assistance Program. We think the TAACs could take a leadership role here. The infrastructure is in place, we have a successful track record, we have the support of the business community as well as Congress.

Considering the North American Free Trade Agreement that is pending whereby domestic manufacturers are going to have to

overcome the additional threat of Mexican and Canadian produced goods as the trade barriers are lowered, we think this program remains ideally formulated to provide assistance to those companies that are going to suffer the—the competition from these countries.

I think the important thing is we shouldn't lose sight of the principal objective of the program which is to maintain and create jobs. We think the Trade Adjustment Assistance Program and the TAAC have done this very well and there is substantial evidence of that effect that we mentioned earlier with the creation and retention of over 41,000 jobs in the past 4 years.

Recently the Midwest TAAC conducted a study covering their four State region and determined that during the past 10 years, 95 firms have participated in the program, employing over 16,000 workers. During this time, the Midwest TAAC administered $9.195 million of Federal funds. The average dollar for trade adjustment assistance spent per manufacturing job affected was only $570. This $570 Federal investment per job is a little more than 3 weeks of unemployment compensation that would have been paid if the affected firms were forced to discontinue operations.

It was said that other programs provide the same service. Trade adjustment assistance provides the small manufacturers with technical assistance from private, nongovernmental business professionals employed by the TAACs. These professionals are skilled in manufacturing, finance marketing and they develop, with management, a situation analysis which describes the weaknesses, the strengths of the firms, their threats, their opportunities; and from this analysis, a strategic business plan is developed which the company must implement to become competitive in a global marketplace.

Some examples of those implementations are market studies, both domestic and international, to assist in exporting, manufacturing productivity analysis, quality assurance programs in preparation for ISO 9000 certification.

I would conclude that there are no other programs that I am aware of that provides this technical assistance for the small and medium-sized manufacturer.

It has also been said that the program is too small to stand on its own. I would agree that additional funding would make this worthwhile program even better. Our experience in the Midwest is that there are more firms that need trade adjustment assistance than there are funds available. To judge the program as too small, I think would be a misdirection of perception.

The $14 million national budget in relation to the Federal budget, while small in comparison, shouldn't be considered in that connection. It should be considered more in terms of the firms that have been assisted. The $14 million to the small and medium-sized firms is quite significant.

A firm may receive Federal funding of $50,000 to $75,000. This is not a small amount for a small firm. I think without some of this assistance, firms would not be able to implement new strategies; they would not be able to develop new products or enter new markets. Worst case scenarios, firms may have to discontinue operations. I think if the program is to be judged small, then it should be judged in favor of reauthorization and funding. Since 80 percent

of all new jobs are created by the small firms, certainly the investment of $570 per job is worth this minimal Federal participation.

Finally, the certification process, it has been said that that is too long. We agree and we have addressed that on two fronts. The TAACs recommended certain minimal changes to the legislation which we would be happy to review with the committee members' staffs. Once these changes are made, some administrative changes would enable the certification process, we think, to be reduced down to as little as 30 days for many companies. I think it could be reduced very easily.

Again, I appreciate the opportunity to present my testimony. I will be happy to answer any questions you may have.

Mr. COYNE. Thank you, Mr. Yefsky.

[The prepared statement and attachments follow:]

TESTIMONY OF

HOWARD YEFSKY

TO THE

SUBCOMMITTEE ON TRADE

COMMITTEE ON WAYS AND MEANS

UNITED STATES HOUSE OF REPRESENTATIVES

I appreciate the opportunity to testify before this Committee and wish to express my thanks to the Committee Members for the time extended to me today and further express gratitude on behalf of the twelve Trade Adjustment Assistance Centers for the Committee's past and continuing support for the program.

I have been associated with the Midwest Trade Adjustment Assistance Center (TAAC) in Chicago, Illinois for over ten (10) years and serve as its Executive Director. In addition, I have been associated with the Sponsor Organization of the Midwest TAAC, Applied Strategies International, Ltd., for over ten (10) years, having founded this not-for-profit corporation for the principal purpose of administering the Midwest TAAC. I serve as President of this corporation and I am also a member of its Board of Directors.

During the past 10 years, the Midwest TAAC has provided valued assistance to almost 500 firms which employ tens of thousands of manufacturing workers in the four Midwestern states of Illinois, Wisconsin, Minnesota and Iowa (See Attachment A-1 - Fact Sheet). As of May 15, 1993, there were 47 Midwestern firms participating in the program, with an additional 7 pending certification. These participating firms employ 6,598 manufacturing workers with an additional 1,814 manufacturing workers employed by the pending firms.

During this same period of time, the then current administrations opposed the Trade Adjustment Assistance Program (TAAP), and eliminated it each year from the budget. However, the program survived because of its significant successes. This is evidenced by the substantial increases in sales, jobs and profitability that have been reported by firms subsequent to receiving Trade Adjustment Assistance. For example, in the four years from 1988 to 1992, nationally, 379 firms completed at least one assistance project. These 379 firms employed 38,318 manufacturing workers when they entered the program; they now provide employment to 41,257 workers ... **an increase of almost 3,000 jobs, or 8%.** These same firms reported an increase in sales, since assistance began, from $2.6 billion to $3.4 billion, **an increase of $800 million, or over 30%** (See Attachment A). There appears to be a definite linkage between Trade Adjustment Assistance and improved competitiveness by the small and medium firms in the global marketplace.

In recognition of this positive correlation, the program received broad Congressional support in the past.

The current administration's announced objectives to stimulate the economy by Investing in America through job creation and business expansion parallel the Trade Adjustment Assistance Program. I am encouraged that the TAACs could take a leadership role; the infrastructure is in place, and we have a successful track record with strong support from the business community and the Congress. Considering the pending North American Free Trade Agreement (NAFTA), whereby domestic manufacturers will have to overcome the additional threat of Mexican and Canadian produced goods as trade barriers among the three countries are lowered, this program remains ideally formulated to provide the assistance these firms will require.

The scheduled elimination was, therefore, surprising. The reason given for the elimination was a carryover of the identical language used by the prior administrations, namely,

"There is no evidence that the TAA Program succeeds in restoring the international competitiveness of the firms its assists."

First of all, this statement is contrary to what I have observed during the ten-plus years of first-hand experience with the firms that have received Trade Adjustment Assistance (See confirming Attachment A). I question both the source and the basis for this statement and challenge the author(s) to produce any facts in support of this position.

Secondly, that "there is no evidence" is only indicative that (a) the author(s) are not reading (or are not interested in reading) the mail from the firms that have received assistance and have successfully recovered from the adverse effects of imports, and, (b) the authors falsely assume that Congress would write this program in for the last 12 years, (despite the past administration's elimination) without any "evidence" at all.

Finally, and, perhaps, most importantly, while many firms have returned to a competitive position manufacturing the same product line, some firms that have labor intensive products can no longer compete in these markets because of the low labor rates of some of the Pacific Rim or third world countries. However, these companies have strong innovative and technical skills, market knowledge, motivation and an infrastructure in place. In some of these instances, the TAACs have assisted these firms in redirecting their manufacturing abilities to produce other products with their existing facilities and workers.

We must not lose sight of the principal objective of the program.....**to maintain and create jobs.** This, the TAA Program and the TAACs have done very well and **there is substantial evidence to that effect** as shown in Attachment A where it can be seen that, nationally, during the last four years, **41,000 jobs were created or retained.**

Recently, the Midwest TAAC conducted a study covering the four state region that it serves and determined that during the past ten years, 95 firms participated in the program, employing 16,120 workers. During this time, the Midwest TAAC administered $9.195 million of federal funds. The average dollars for Trade Adjustment Assistance spent per manufacturing job affected, was only $570. **This $570 federal investment per job is a little more than three weeks of Unemployment Compensation that would have been paid if the affected firms were forced to discontinue operations** (See Attachment B). No other program provides this kind of technical assistance and very few, if any, programs are as cost effective.

Three other **incorrect** statements were made as to why this program should be eliminated. I would like to submit a response to each of these statements.

Statement 1 -- *"Other programs provides the same service."*

Trade Adjustment Assistance provides the small to medium size manufacturers with technical assistance from private, non-governmental, business professionals, employed by the TAACs. These professionals, skilled in the disciplines of manufacturing, marketing and finance, work with the management of the firms and develop a written **Situation Analysis** which describes in detail the current position of the firm, its strengths and weaknesses, and, its threats and opportunities. From this analysis, again, together with management, a written **Adjustment Plan (Business Plan)**, tailored to the individual company's needs is developed, which outlines in detail the strategies that the firm must implement in order to operate profitably in a global economy. Upon approval of this Adjustment Plan by the Trade Adjustment Assistance Division in Washington, the **competitive bid process** is used to hire outside consultants to assist the firm

in the implementation of the Adjustment Plan. Examples of Adjustment Plan implementations are **Marketing Studies (both national and international), Manufacturing Productivity Analysis, and Quality Assurance Programs in preparation of ISO 9000 Certification.** These implementations are monitored by the TAAC and most importantly, **cost shared by the firm.** While the cost-share percentage is dependent on the firm's available resources, the Midwest TAAC attempts to have the **firm cost-share at least 50% for each implementation project.** In the opinion of the Midwest TAAC, the higher cost-share by the firm, where possible, invests the firm for a larger financial commitment thereby giving the implementation project a greater chance for success. It also indicates the firms support for the project and the program.

CONCLUSION: NO OTHER PROGRAM PROVIDES THIS TECHNICAL ASSISTANCE FOR THE SMALL TO MEDIUM SIZE FIRMS.

Statement 2 -- *"The program is too small to stand on its own."*

The Midwest TAAC would agree that additional funding would make this worthwhile program better. Our experience is that there are more firms in the Midwest in need of Trade Adjustment Assistance than there is, and, has been, available funds. However, to "judge" this program as too small, would be a misdirection of perception. The $14 million budget, nationally, for this program should not be viewed in relation to the billions of dollars in the federal budget. But rather, this $14 million should be considered in connection with the size of the firms that have received assistance from this program. Typically, an approved Adjustment Plan for a firm may require $150,000 to implement. With a firm's cost-share of 50%, federal assistance would amount to $75,000. **This is not a small amount for a small firm.** Without assistance from this program, a small firm may not be able to implement changes that would perhaps put them in a new market, or enable them to develop a new product. At best, a firm may have to delay the implementation which could result in lost bids. Certainly, it would delay the creation of additional jobs, additional sales and hence, additional tax revenue for the federal government. Worst case scenario could be the discontinuance of business operations with the loss of existing jobs.

If this program is to be judged small in relation to the federal budget, then it should be so judged in favor of reauthorization and funding. The many successes of the program and its effectiveness, for the small relative cost, is overwhelming. Several administrations, including the current one, have indicated that **80% of all new jobs are created by the small firms. Certainly at an investment of only $570 per job and the return on that investment, it is worth the minimal federal participation.**

CONCLUSION: THE ASSISTANCE RECEIVED BY SMALL FIRMS IS SIGNIFICANT TO THEM; AND A SMALL ENOUGH INVESTMENT FOR THE FEDERAL GOVERNMENT TO WARRANT REAUTHORIZATION AND FUNDING.

Statement 3 -- *"The certification process is too long."*

This concern has been addressed on two fronts.

The TAACs have recommended certain minimal changes in the legislation upon reauthorization.

Once these changes are made, a new procedure called "Fast Track" developed by the Midwest TAAC could be implemented with some minor administrative changes. It is estimated that certification time could be reduced to 30 days for some firms.

CONCLUSION: THE CERTIFICATION PERIOD CAN BE REDUCED EASILY.

To all of the members of this Committee, once again I wish to thank you for the opportunity to come before you. I hope that I have responded to some of the questions and concerns that you have had. Having been associated with this program for over ten years, I strongly believe that Trade Adjustment Assistance is the right program for the small domestic manufacturer. I respectfully urge you to give this worthwhile program your support ...I think it would be the right thing to do.

ATTACHMENT A

Effectiveness Report of TAAC Clients Responding to Survey — FY88-92

TAAC	Number of Clients	Employment 2 years before certification	Employment at Certification	Current Employment	Sales 2 years before Certification	Sales at Certification	Current Sales	Change in Employment 2 years before Certification	Change in Employment since Certification	Change in Sales 2 years before Certification	Change in Sales since Certification
New England	56	8,880	7,536	7,473	$557,852,924	$508,978,866	$563,683,240	(1,344)	(63)	($48,874,058)	$54,704,374
New Jersey	28	2,750	2,320	2,136	195,352,000	175,003,000	336,384,000	(430)	(184)	(20,349,000)	161,381,000
New York	43	4,616	4,166	4,570	375,800,000	367,500,000	442,900,000	(450)	404	(8,300,000)	75,400,000
Mid-Atlantic	24	5,598	4,549	6,320	314,356,935	234,898,681	432,197,000	(1,049)	1,771	(79,458,254)	197,298,319
Great Lakes	24	3,873	3,490	3,399	342,100,000	262,264,000	322,525,000	(383)	(91)	(79,836,000)	60,261,000
Mid-West	31	4 441	4,135	4,325	386,569,994	356,694,738	378,809,812	(306)	190	(29,875,256)	22,115,074
Southeast	25	4,611	3,931	3,990	181,325,885	147,744,451	219,720,942	(680)	59	(33,581,434)	71,976,491
Mid-America	18	2,345	2,113	2,367	135,337,500	130,516,000	161,787,200	(232)	254	(4,821,500)	31,271,200
Southwest	9	1,012	874	885	47,383,840	48,103,914	59,811,000	(138)	11	720,074	11,707,086
Rocky Mountain	38	1,056	920	1,049	65,828,888	56,107,823	73,273,827	(136)	129	(9,721,065)	17,166,004
Western	43	2,212	1,869	2,335	139,765,451	117,907,933	176,486,695	(343)	466	(21,857,518)	58,578,762
Northwest	40	2,628	2,415	2,408	215,711,892	213,821,046	234,830,810	(213)	(7)	(1,890,846)	21,009,764
Total	379	44,022	38,318	41,257	$2,957,385,309	$2,619,540,452	$3,402,409,526	(5,704)	2,939	($337,844,857)	$782,869,074

ATTACHMENT A-1

MIDWEST TRADE ADJUSTMENT ASSISTANCE FACT SHEET

The Midwest Trade Adjustment Assistance Center (MWTAAC) is one of twelve TAACs across the country. It is operated by Applied Strategies International, Ltd., a private, not-for-profit consulting firm.

- MWTAAC serves the four states of Illinois, Iowa, Minnesota and Wisconsin.
- During the past 10 years, it has worked with 484 firms in these four states.
- It has provided assistance in obtaining government cost-shared benefits to 95 firms in these four states over the past 10 years.
- At the present time there are 44 firms participating in the program.
- These 44 firms employ 5,777 workers.
- An additional 8 firms await certification.
- These 8 firms employ an additional 1,886.

- There is a staff of 8 professionals.
- MWTAAC annual budget is $1.3 million.
- During 1992 the firms covered 43% of the cost of assistance.

- There have been 16,120 existing jobs impacted at firms completing assistance.
- There are 1,648 new jobs at these firms.

On a national level, there were 379 firms that completed at least one assistance project during the four years 1988 through 1992. These 379 firms accounted for 38,318 jobs when they entered the program; they now provide employment to **41,257** people. Sales for these firms have increased **35%** since assistance began. The national program is supported with a fiscal 1993 budget of $14 million.

	At Time of Entering TAA Program	After TAA Program Assistance	%
Employment	38,318	41,257	+8%
Sales	$2,620 million	$3,402 million	+35%

In the four-state area served by the MWTAAC there are 52 firms active in the Trade Adjustment Assistance Program. These firms support more than 7,600 industrial jobs.

ATTACHMENT B

RETURN ON INVESTMENT
MIDWEST TRADE ADJUSTMENT ASSISTANCE CENTER

Investment per job

Funding, 01/01/83 - 03/31/92 1	$9,195,719
Total jobs impacted 2	16,120
Investment per job	**570***

* Conservatively estimating benefits of $175 per week for Unemployment Compensation, the investment per job amounts to just a little more than 3 weeks of benefits that would have been paid if the affected firms had discontinued operations. (Also see Note 4)

Economic impact per job

Income, average manufacturing job	$25,000
Federal, state revenue @ 22%	$ 5,500
Income, multiplier jobs 3	$ 8,000
Federal, state revenue @ 22%	$ 1,760
Annual revenue, per job 4	**$ 7,260**

Return on investment, first year **1,274%**

---

1 Funding total covers 120 months and includes only federal government expenditures.

2 Jobs impacted are those jobs retained and generated at firms completing at least one assistance project 12/31/92. It does not include and impact of assistance at firms that entered the program since the latter part of 1992.

3 Multiplier jobs are those generated in providing the goods and services required by the employed manufacturing workers. Although often estimated at 2 or 2.5 for the purposes of this analysis a very conservative multiplier of 0.5 was used Service job revenue is calculated at an average hourly rate of $8, annual income of $16,000, multiplier income per manufacturing job is 0.5 x $16,000.

4 Annual revenue per job disregards local income or property tax revenue. Also not shown is the effect of Unemployment Benefits that would have been paid if the affected firms had discounted operations. Conservatively estimating benefits of $175 per week for 26 weeks, this adds $4,550 to the net annual revenue, per job. This would increase the first year ROI to 2,072%.

Mr. COYNE. Mr. McLaughlin.

STATEMENT OF RICHARD M. McLAUGHLIN, EXECUTIVE DIRECTOR, NEW ENGLAND TRADE ADJUSTMENT ASSISTANCE CENTER, INC.

Mr. MCLAUGHLIN. Thank you, Mr. Chairman for the opportunity to speak today. I have been the executive director of the New England Trade Adjustment Assistance Center Inc., (NETAAC) in Boston for the past 11 years. The New England Trade Adjustment Assistance Center is a private, nonprofit, 501(c)(3) corporation devoted exclusively to implementing the Trade Act of 1974 in the six New England States.

For domestic manufacturers to participate in this program, they must demonstrate a decline in sales or production and employment over the most recent 2 years. A great number of program clients have experienced these conditions over several years. The typical trade adjustment assistance client is a manufacturer who is severely and financially impaired and has frequently lost a significant market position.

NETAACs tend to be small to midsize manufacturers who employ between 40 to 500 workers. The key management of these companies perform multiple tasks and don't have the time and in many cases, the skills and experience necessary to assess changes in market conditions, improved manufacturing techniques, and management methods.

Equally important, because of the declining fortunes of the business, they have limited financial resources to address these issues. As a result, they spend their limited amount of management time and limited financial resources attempting to offset these declines without taking the necessary time to analyze the situation and to develop a business strategy that is needed to restore their business to a competitive entity.

As a result, additional jobs are permanently lost, imports continue to increase their share of the domestic market, and the country incurs increased social cost in the form of lost individual and corporate tax revenues and increased unemployment costs.

In the early years of the program, the New England Trade Adjustment Assistance Center assisted manufacturers primarily in the apparel, textile and metal fabrication industries. In more recent years, the program has assisted manufacturers of medical diagnostic equipment, consumer and industrial electronic products, as well as biomedical companies.

This demonstrates that an increasingly broad range of U.S. industries are now being adversely affected by imports. With the United States being the largest and most prosperous market in the world, there is no doubt this trend will continue. Foreign competitors see the United States as a large open market where substantial sales revenue and profits can be generated.

Just last week the Department of Commerce announced that the March trade deficit had increased to a 4½ year high. It was over $10 billion for that month.

The trade adjustment centers have unique skills that help smaller manufacturers compete. The program's goal is to preserve American jobs in import affected industries and to help reduce the trade

deficit. The posture we take is that the only protection an American worker has is to work for a company that is profitable and that can effectively compete on a worldwide basis.

The professional staff at the trade adjustment centers are all experienced first-line senior managers who have the ability to evaluate individual companies, their strengths and weaknesses and their unique position in the marketplace. NETAAC is familiar with changing manufacturing process technology and improved management methodology and it has the experience and skills needed to evaluate the needs of individual firms and prescribe appropriate assistance that is specific to each company's situation consistent with their financial condition and their management capabilities.

The loss of manufacturing jobs is a serious and growing concern for our country. According to the U.S. Bureau of Labor Statistics, the United States has lost over 842,000 manufacturing jobs since 1985. This is a great problem since the loss of manufacturing jobs has a major ripple effect on our economy.

A recent study published by the Economic Policy Institute in Washington, D.C., indicates that every 100 manufacturing jobs create 421 other jobs and generate $1.86 million in Federal Government revenue and $1.03 million in State and local revenue.

This far exceeds the ripple effect of service and retail jobs which are often counted on to offset the loss of manufacturing jobs.

However, the real issue is what impact this program has had on manufacturers who participate in it. Nationally, the Trade Adjustment Assistance Program has assisted 379 firms in the last 5 years. Two years prior to entering the program, these firms had employment levels of over 44,000 people and sales of $2.975 billion.

In the 2 years prior to entering the program, their employment level had declined 14.5 percent to 37.986 million and sales had declined 12 percent to $2.634 billion. After implementing program assistance designed and delivered by the 12 different trade adjustment centers, these employment and sales declines have been reversed and employment levels have increased by almost 10 percent and sales have increased by over 29 percent.

In New England, we have reviewed the impact of assistance on client firms to determine their change in profitability. The cumulative profit increases of the 56 New England firms in this time span showed over a 100 percent increase. This increase in profit was accompanied by substantial sales and employment gains.

Clearly, as demonstrated by the above, the overwhelming majority of the client firms have become substantially more competitive and have successfully adjusted to the new global economic conditions. While the program is small and the demand for services far exceeds available financial resources, the program does work.

For client firms who have participated in the program, sales and job erosion have been stopped. Profitability has increased resulting in greater TAAC revenue. Remember, this program requires a commitment of at least a 25 percent cost share from the participating firm. In most cases the firms pay 40 to 50 percent of the cost of their adjustment. This causes the individual firm to buy into the program and work rigorously to ensure that it is successfully implemented. NETAAC works with the clients to be sure that services are delivered as needed and management and employees of the

firm will utilize the assistance to ensure that it has an ongoing benefit once the program is complete.

A great deal of this assistance involves management and on-the-job-training. This training ensures that the projects implemented with Federal funds are implemented properly, that the employees and the management know how to utilize the tools given to them and that the benefits of these tools become ongoing and permanent.

The most important thing however is that training be completed before the employee loses his or her job and while the company is earning money and is contributing tax revenue to the Government. The New England Trade Adjustment Center has done a return on investment analysis to determine the benefit to the Federal Government for the money it has invested in this program.

Using assumptions that are far more conservative than the findings of the Economic Policy Institute concerning the ripple effect of manufacturing jobs in the U.S. economy cited in my testimony earlier, we have found the following: based on funds received by the New England Trade Adjustment Center for the 5-year period 1988 to 1992 and the total jobs affected, the Federal Government has made an investment in New England of $789 per job.

The annual revenue in Federal, State and local tax dollars produced, based on the ripple effect calculated, was $7,260 per job for return on investment for a Federal dollar of 920 percent. If one were to use the ripple effect based on the findings of the Economic Policy Institute, return on investment for the Federal dollar would be substantially greater.

I strongly encourage this committee to work for reauthorization and refunding of this program. The program is effective. Rather than being a drain on the Federal Treasury, it produces significant revenue increases. With the global economy becoming increasingly competitive, it is critical for the United States to maintain and expand its manufacturing base. This program is the only one that I am aware of that allows services to be custom designed for the unique situation of the individual manufacturer. It does retain and increase manufacturing jobs and it does produce increased Federal, State, and local tax revenue. As a result, it more than pays for itself.

I appreciate the opportunity to talk to you this morning and I would be more than happy to answer any questions.

Mr. COYNE. Thank you, Mr. McLaughlin.

[The prepared statement and attachment follow:]

Testimony of

RICHARD M. McLAUGHLIN
THE NEW ENGLAND TRADE ADJUSTMENT ASSISTANCE CENTER, INC.

To The

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON TRADE

May 27, 1993
9:30 a.m.

Mr. Chairman, my name is Richard McLaughlin. I have been the Executive Director of the New England Trade Adjustment Assistance Center, Inc., in Boston, Massachusetts, for the past eleven years. The New England Trade Adjustment Assistance Center, Inc.(NETAAC) is a private non-profit 501(c)(3) corporation devoted exclusively to implementing the Trade Act of 1974 in the six New England states.

For domestic manufacturers to participate in the Trade Adjustment program, they must demonstrate a decline in sales or production and employment over the most recent two years. A great number of program clients have experienced these conditions over several years. The typical Trade Adjustment Assistance client is a manufacturer who is severely and financially impaired and has frequently lost significant market position.

NETAAC's clients tend to be small to mid-size manufacturers who employ between 40 to 500 workers. The key management of these companies perform multiple tasks and do not have the time and, in many cases, the skills and experience necessary to assess changes in marketing conditions, improved manufacturing techniques and management methods. Equally important, because of the declining fortunes of the business, they have limited financial resources to address these issues. As a result, they spend their limited time on attempting to offset sales, employment and profit declines rather than on the necessary management analysis needed to restore their business to a competitive entity. Additional jobs are permanently lost, imports continue to increase their share of the domestic market, and the country incurs increased social cost in the form of lost tax revenues, both individual and corporate, and increased unemployment costs.

In its early years, the program in New England assisted manufacturers more in the apparel, textile, and leather goods industries. In more recent years, the program has assisted manufacturers of medical diagnostic test equipment, consumer and industrial electronic products, as well as biomedical companies. This demonstrates that an increasing broad range of U.S. industries are now being adversely affected by imports. With the U.S. being the largest, most prosperous market in the world, there is no doubt that this trend will continue. Foreign competitors see the U.S. as a large open market where substantial sales revenue and profits can be generated. For example, on Wednesday, May 19, 1993, the U.S. Department of Commerce announced that the U.S. trade deficit for March increased to a 4 1/2 year high and was over $10 billion.

The Trade Adjustment Assistance Centers have unique skills that help smaller manufacturers compete. The program's goal is to preserve American jobs in import affected industries and to help reduce the trade deficit. The only job protection an American worker has is to work for a company who is profitable and can compete on a worldwide basis. The professional staff at NETAAC are all experienced first-line senior managers who have the ability to evaluate individual companies, their strengths and weaknesses and their unique position in the marketplace. NETAAC's staff is familiar with changing manufacturing process technology and improved management methodology and they have the experience and skills needed to evaluate the needs of individual firms and prescribe appropriate assistance that is specific to each company's unique situation and is consistent with their financial condition and capabilities.

The loss of manufacturing jobs is a serious and growing concern for our national economy. According to the U.S. Bureau of Labor Statistics, the United States has lost over 842,000 manufacturing jobs since 1985. This is a great problem since the loss of manufacturing jobs has a ripple effect on the economy. A recent study published by the Economic Policy Institute, in Washington, DC, indicates that every 100 manufacturing jobs create 421 other jobs and generate $1,860,000 in federal government revenue and $1,030,000 in state and labor revenue. This far exceeds the ripple effect of service and retail jobs, which are often counted on to offset the loss of manufacturing jobs.

However, the real issue is what impact this program has had on manufacturers who have participated in it. Nationally, TAA has assisted 379 firms in the last five years. Two years prior to entering the program, these firms had cumulative employment of 44,431 and sales of $2,975,683,000. When they entered the program, cumulative employment had declined 14.5 percent to 37,986 and sales had declined 12 percent to $2,634,675,000. After implementing program assistance designed and delivered by the 12 different Trade Adjustment Assistance Centers, employment and sales declines have been reversed and employee levels increased almost 10 percent and sales have increased by over 29 percent.

In New England, we have reviewed the impact of assistance on client firms to determine their change in profitability. The cumulative profit increases for the 56 New England firms showed over a 100 percent increase. This increase in profit was accompanied by substantial sales and employment gains In many cases, NETAAC has successfully helped its clientele profitability export their products.

Clearly, the overwhelming bulk of the client firms has become substantially more competitive and has successfully adjusted to the new global economic conditions. While the program is small, and the demand for services far exceeds available financial resources as shown by the increasing trade deficit and the steady erosion of manufacturing jobs in the United States, the program does work.

The types of assistance offered to client firms varies greatly and is dependent on the specific conditions of the company and the industry it competes in However, common types of assistance involve manufacturing cost reductions and quality improvements, financial controls, upgrading marketing efforts and expanding sales volume. No other federal program addresses all these areas in depth.

Typical services delivered to improve product and process quality and reduce manufacturing costs include Total Quality Management, introduction and training in World Class Manufacturing, upgrading of management information systems and assistance in meeting ISO-9000 standards.

Since manufacturers in this program have suffered sales and employment declines, it is critical to help them recover lost sales at profitable margins. Typical assistance in this area include identification of profitable markets, strategic planning, advertising and promotional assistance, design engineering for new products, and advertising and promotional assistance, and increasing export sales.

The last major area of assistance to NETAAC clients is installing financial controls. Projects include cost systems, developing pro forma financials and cash flow projections, and negotiating with creditors. The success of the program has helped manufacturers increase their sales and, most importantly, their employment levels.

For the client firms who have participated in the program, sales and job erosion have been stopped and employment and sales volume increased. Profitability has increased resulting in greater tax revenue. Remember, that TAA requires a commitment of at least 25 percent from the participating firm. This causes the individual firm to buy into the program and work rigorously to ensure that it is successfully implemented. NETAAC's staff works closely with clients to assure that services are delivered as needed and that the management and employees of the firm will utilize the assistance to ensure that it has a continuing benefit for the firm once the program is complete.

A great deal of the assistance involves management and on the job employee training. This training ensures that projects implemented with federal funds will continue at the completion of the project and that its benefits become permanent. This training frequently includes all the employees of the company and covers such areas as quality improvements, world class manufacturing, employee empowerment and team building, and problem solving. Most importantly, this training is done before the employee loses his/her job.

The New England Trade Adjustment Assistance Center has done a return on investment analysis to determine the benefit to the federal government for the money it has invested in this program. Using assumptions that are far more conservative than the findings of the Economic Policy Institute concerning the ripple effect of manufacturing jobs on the U.S. economy, cited earlier in my testimony, we have found the following:

> Based on funds received by NETAAC in the five-year period 1988-1992 and the total jobs affected , the federal government has made an investment in New England of $789 per job (see attached exhibit). The annual revenue in federal, state and local taxes produced based on the ripple effect was calculated at $7,260 per job for a return on investment per federal dollar of 920 percent. If one were to use the ripple effect based on the findings of the Economic Policy Institute, the return on investment per federal dollar would be substantially greater.

I strongly encourage this committee to work for re-authorization and refunding of this program. The program is effective. Rather than being a drain on the federal treasury, it produces significant revenue increases. With the global economy becoming increasingly competitive, it is critical that the United States retain and expand its manufacturing base. This program is the only program that allows services to be custom-designed for the unique situation of the individual manufacturer. It does retain and increase manufacturing jobs and it does produce increased federal, state and local tax revenue. As a result, it more than pays for itself.

Thank you for the opportunity to speak to you this morning.

Return on Investment
New England Trade Adjustment Assistance Center, Inc.

Investment per job:

Funding, 1988-1992 [1]	$5,994,000
Total jobs impacted, 1988-92 [2]	7,593
Investment per job	**$789**

Economic impact per job:

Income, average manufacturing job	$25,000
Federal, state revenue @ 22%	$5,500
Income, multiplier jobs [3]	$8,000
Federal, state revenue @ 22%	$1,760
Annual revenue, per job [4]	**$7,260**

Return on investment, first year: **920%**

[1] Funding total covers 60 months and includes only federal government expenditures.

[2] Jobs impacted are those jobs retained and generated at firms completing at least one assistance project by 12/31/92. It does not include the impact of assistance at firms that entered the program since mid-1992.

[3] Multiplier jobs are those generated in providing the goods and services required by the employed manufacturing workers. Although often estimated at 2 or 2.5 for the purpose of this analysis, a very conservative multiplier of 0.5 was used. Service job revenue is calculated at an average hourly rate of $8, annual income of $16,000, multiplier income per manufacturing job is $16,000 x 0.5.

[4] Annual revenue per job disregards local income or property tax revenue.

Mr. COYNE. Mr. Doubleday.

STATEMENT OF E. GERRY DOUBLEDAY, SENIOR CONSULTANT, SOUTHEASTERN TRADE ADJUSTMENT ASSISTANCE CENTER, GEORGIA INSTITUTE OF TECHNOLOGY

Mr. DOUBLEDAY. Mr. Coyne, do I have to remain seated for this testimony?

Mr. COYNE. No.

Mr. DOUBLEDAY. I am Gerry Doubleday. I live in Atlanta, Ga. I work for Georgia Tech. We, meaning Georgia Tech, have been involved with this program for approximately 15 years. For 10 years I have worked for Georgia Tech and have worked under this program.

As you no doubt see, I am not an eloquent speaker. As a matter of fact, I am a grunt for Georgia Tech. I spent 80 and 90 percent of my time out in the field, out in small communities working on this program and others. I spend time in Guntown, Miss., Candor, N.C., Duffield, Va., and Uniontown, Ala.

As a matter of fact, right now I am doing work in Hickory, N.C., which is a real treat. I work approximately 50 percent of my time under this trade adjustment program, as I have said, for 10 years. My background is I am a mechanical engineer with a Master's in business.

I have worked for about 25 years, including the 10 years at Georgia Tech. I believe my background is similar to the other people who are doing this work around the country. I get approximately three to four new trade adjustment cases a year. At any one time, I am working with eight. Typically I will work with a company, somewhere between 2 and 4 years. Not 2 to 4 hours, not 2 to 4 days, not 2 to 4 weeks, 2 to 4 years.

There is no other program, regardless of what you may be told, that offers this range and this depth of service for these companies. I thought you might like to hear something about what happens to these companies. In fact, probably 25 percent of the companies that are qualified for this program go out of business. It seems like a lot, but the criteria that qualifies the companies would normally mean that most of them are going out of business anyway, but about 25 percent do go out of business.

Fifty percent of the companies we work with are helped to some extent, and—and we help work with various projects, design of a new product, new computer systems. In fact, these companies do better, but to a large extent, they continue to muddle along, even after they have left our program.

Why do they muddle along? Because they have not come to the decision, they have not realized that to do better, to truly thrive, they have to change.

The last 25 percent, what happens to them? The last 25 percent are stars. They do very well. At the very least, these companies are competitive in very tough markets. At best, they are fantastically successful. Why are they successful? Because they realize that sometimes to turn their business around, they have to turn it upside down and they come to us for help and guidance in this process.

As an example, I will give you one name, Cander Hosiery. They make socks and are located in the middle of North Carolina. In 1986, they had sales of $4.6 million. They were losing a good bit of money, employed 150 people. They were essentially dead and they didn't know it.

Today they have sales of over $25 million. They are quite profitable and in fact I would be happy to show any of you how the taxes paid by the company and the taxes paid by the now 400 employees for this company without any multiplier effect, more than pay for our allocation to Georgia Tech on a yearly basis.

What about Tifton Textiles? What about Jeffries Associates? What about Columbia Rops? What about Florida Medical Industries, whose representative is here. What about Nylon Net, the Ostraneck Co.? These are companies that I have worked with—and multiply that times all the people around the country working on this program.

OK. What happens to me if this program is not reauthorized? What happens to me is Georgia Tech will reassign me. I will work on other things. What happens to people like Mary and Ralph? Ralph is supervisor of a textile company in Forsyth, Ga.

Ralph makes $8 an hour. He is roughly 50 years old. He has worked for this company for 27 years. He is a good worker. Ralph is black. Ralph can't read and write.

What about Mary? She lives in Saltville, Va. She works on a sewing machine making work gloves. In a good week, Mary makes $6 an hour. She has been with the company 9 years, is 36 years old, and a single mother.

What happens to Mary and Ralph if their jobs go away? What happens to all the Marys and Ralphs around the country?

Thank you.

[The prepared statement follows:]

TESTIMONY TO THE SUBCOMMITTEE ON TRADE, COMMITTEE OF THE WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES MAY 27, 1993

The Southeastern Trade Adjustment Assistance Center (SETAAC), located at Georgia Tech in Atlanta, is one of 12 federally supported centers nationwide to help regional manufacturers implement strategies to help make them more competitive. SETAAC has been in operation since 1978, and works with firms in the eight southeastern states of Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee. Since its inception, SETAAC has assisted more than 350 companies with sales of more than $1.68 billion and employment of over 52,600. In addition, many other firms have been provided program information and petition assistance.

SETAAC basically is involved in three types of assistance:

1. Identifying potentially eligible firms and assisting them in developing the certification petition information to be submitted to the Department of Commerce;

2. Performing a Diagnostic Analysis of firms to identify their competitive strengths and weaknesses, and developing a strategic business recovery plan (Adjustment Plan) identifying priority implementation tasks and level of resources required; and

3. Assisting in the implementation of tasks identified in the Adjustment Plan to correct weaknesses or leverage strengths with the goal of improving the long-term competitiveness of the firm.

The annual funding for the SETAAC is about $1 million per year in federal funds. In addition, clients contribute a minimum of 25 percent of the cost of technical assistance, and often they contribute as much as 50 percent of the cost of the implementation assistance. The firms are not required to pay for assistance to help develop information for the certification petition. SETAAC primarily uses its own full time staff to provide the assistance, but also has the capability to contract with private sector consultants to provide specialized assistance.

The tasks considered for implementation by the TAA Program vary in scope. The tasks must relate directly to implementing the strategy and are also cost-shared by the firms. Over the last three years, TAA-certified firms were willing to share the cost of the assistance at a rate of $1.00 for every $1.50 invested in federal funds. If the TAA program were ineffective, the certified firms would not be willing to invest their own funds at such a significant rate.

Some examples of the types of assistance provided in the implementation phase include:

- helping a firm become ISO 9000 certified so that it can produce quality products for the international marketplace.

- assisting a firm redesign/reengineer its product line.

- assisting a firm in installing group incentives to promote teamwork and increase productivity.

- helping a firm chemically characterize its raw materials.

- o helping a firm upgrade its management information systems.

- o assisting a firm identify a market niche, develop an expanded sales network, and provide better sales support materials.

The concept of trade adjustment assistance is still very valid. Imports remain at an all time high with no end or relief in sight. Since 1980, manufacturing imports have increased from about $130 billion in 1980 to almost $390 billion in 1992, an increase of 200 percent. The North American Free Trade Agreement, if passed, will likely increase the level of imports, particularly in certain industry sectors.

A major goal of the Clinton Administration is to strengthen America's industrial competitiveness and create jobs in the manufacturing sector. The Trade Adjustment Assistance Program for firms does just that. Since 1988, about 379 firms nationwide have completed at least one technical assistance project in the implementation phase of TAA. Based on data supplied to the TAACs by participating firms, approximately *2,939* jobs have been added by these firms since their certification and participation in the TAA program. These same firms had lost *5,704* jobs in the two years prior to certification! Of equal importance, these same firms were able to retain over *38,000* jobs. What better proof is needed to show that the program works and is an investment in jobs?

The National Center for Manufacturing Sciences, in its December 1992 issue of Focus, indicates that 100 manufacturing jobs have the following economic impact on a community:

- o over $2 million in personal income
- o over $1.6 million in retail sales
- o seven new retail establishments
- o 64 non-manufacturing jobs

Using these figures and the almost 3,000 jobs created by the program in the last four years, then the program contributed over $60 million in new personal income, over $48 billion in new retail sales, 210 new retail establishments, and 1,920 non-manufacturing jobs. This achievement would have been supported by about $56 million in federal funds, amounting to less than $12,000 per new job created. (This amount does not include credit for the jobs saved!).

SETAAC has had an impressive record of assistance. From 1984 to present, SETAAC funding has been approximately $11.76 million. For those firms completing at least one task in the implementation strategy, over 8,400 jobs were impacted. This amounts to an investment of only $1,400 per job retained or created. Using conservative economic multipliers, the return on investment is over 500 percent.

There may be an unfounded perception that the TAA Program deals primarily with smokestack industries or with outmoded or non-competitive industries. This is not true in today's global marketplace. Many of the firms that apply for TAA are in growing industry segments and have a strong technology base.

Examples of industries/product lines represented by recently certified firms include:

- o magnetic products
- o recording/duplicating equipment
- o electronic circuit boards
- o machine tools
- o biomedical equipment
- o ceramic coated tanks

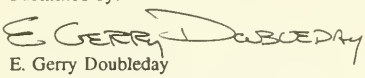
- building products
- tool and die products
- electronic controls
- plastic products
- textiles and textile machinery

Competing with imported products is not a decreasing dilemma. As mentioned earlier, manufacturing imports have grown approximately three times over the last 10 years. The North American Free Trade Agreement (NAFTA) probably will accelerate imports in certain product segments. The Trade Adjustment Assistance Program could prove an ideal vehicle to assist those firms impacted by increased imports from Mexico or Canada and also help those firms interested in doing more business in Mexican and Canadian markets.

The Trade Adjustment Assistance Program is the only program that uses a comprehensive business approach to assist small and medium sized manufacturing firms. TAAP provides in-depth, long term assistance that integrates all areas of business. Other federal programs focus in only one area, such as the Manufacturing Technology Centers' focus on technology. Technology is critical, but it must be integrated with other business strategies to be successful. The Small Business Development Centers provide business-related assistance, but their focus is primarily on the retail and service sectors, not manufacturers.

In summary, the Trade Adjustment Assistance Program for firms is needed now more than ever. We know that the most citizens benefit from free trade, but assistance is needed for its victims. Imports continue to rise, manufacturing jobs continue to erode, and small and medium-sized manufacturers experience the increasing struggle to compete. The nation's economic health may rise or fall in direct proportion to the health of our small and medium-sized manufacturers. The Trade Adjustment Assistance Program for firms is a very low-cost, flexible, and effective way for the federal government to share the investment these manufacturers must make to remain competitive. The TAA program is <u>not</u> a subsidy as some may contend, but rather an investment in American jobs.

Submitted by:



E. Gerry Doubleday
Southeastern Trade Adjustment Assistance Center

Mr. COYNE. Thank you all for your testimony.

Mr. McLaughlin pointed out during his testimony that there is a direct relationship that he can see and has experienced between trade adjustment assistance firms profitability and participation in this program. Are there other panelists that can cite instances like that?

Mr. YEFSKY. I think again the competitive report that we have put together shows a broad support for that concept. I think that the companies that we have worked with in the Midwest to a very large extent, I think most of them, if not all, have shown increases—if I may, I would like to make one comment.

We don't have the same experience with the number of companies that go out of business. Maybe it is because we select some companies that are a little bit stronger, but what I can say is that these companies, without trade adjustment assistance, at least would have to delay implementing some of the strategies, some of the projects which have accelerated, through trade adjustment assistance, their profitability and sales increases.

Our experience is that we see a definite linkage between the companies that we work with and increased profitability.

Mr. COYNE. If Congress is of a mind to provide trade adjustment assistance to firms that want it, what do you think is the best way to provide these services over and above what we are already doing in the TAA program? Are there any additions to the program, any other things that would be done better or that we could do it better with?

Mr. MCLAUGHLIN. I think it would be important to simplify the certification criteria. This would reduce administrative costs that the trade adjustment assistance staff in Washington incur and also reduce the administrative costs of the centers of the TAACs and free additional financial resources to be delivered to clients.

The purpose of the program is to provide assistance to clients so if we could reduce the costs and free up the funds, that would be important. I think the strength of the program is the ability of the trade adjustment centers to work closely with the clients and analyze the unique situation of each client. Each business has different strengths, whether it be from manufacturing, marketing, management skills, or financial skills. Further, their position in the industry they are competing in is a little different.

The fact that these services can be custom designed to the specific situation of the client is the key strength of the program. Anything that can be done to build on these strengths makes this program stronger.

Mr. COYNE. Thank you.

Thank you, Mr. Chairman.

Chairman GIBBONS. Mr. Neal.

Mr. NEAL Mr. McLaughlin, as a supporter of the work that you do, could you cite a couple of examples in Massachusetts similar to the effort that Mr. Doubleday made?

Mr. MCLAUGHLIN. Yes, we have a company in Massachusetts called Roman Arts. That company was the largest manufacturer of baseball hats in the United States. They have a license from major league baseball to make the emblems for the New York Yankees and various other major league baseball teams. They lost this li-

cense to a Taiwanese hat manufacturer because major league baseball increased the license fee substantially. As a result, sales of baseball hats went from about $7 million to zero. However, the company did make other hats for various name organizations.

In any event, we worked with these people to design a program to manufacture and market old time baseball hats. We obtained the approval of major league baseball to do this, not to sell hats in competition with the Taiwanese manufacturer, but to make hats for the 1921 Brooklyn Dodgers, 1927 New York Yankees et cetera—memorabilia hats. The company worked with hall of fame baseball players where they would sign the bill of the hat and sell the product to collectors. The company manufactured a limited edition of each hat and sells them at old timers days at major and minor league ball parks.

As a result, the sales have more than tripled, employment levels have increased from roughly 120 people to over 300 people, and this is in a very "low-tech industry," cutting, sewing and making baseball hats. They are located in Brockton, Mass., where the employment has increased significantly.

We have another company, Chelsea Clock. It is the oldest and one of the largest fully integrated clock manufacturers in the United States. It has been in continuous operation since 1800. Every U.S. warship that has gone to sea since the War of 1812 has had a Chelsea clock in it.

Sales declined significantly due to imports from the Far East particularly lower-priced quartz movements. The marketplace was the maritime industry, yachters and boaters, and to a very large specialty gift market. Chelsea Clock was on their knees and ready to go out of business. They came to us and qualified for the program and we basically concluded this company needed a new product to service its traditional market.

We conducted market research to see was there a market opportunity for a very expensive, high-quality, upscale brass clock in the gift market. The answer to that market research was yes. We then funded design engineering to design a product to compete in the marketplace, funded manufacturing engineering so that this company could manufacture the clock competitively and sell it in the marketplace at a profit, and then we helped them introduce the product into the marketplace.

Sales have gone up about 300 percent. The employment levels have increased substantially. Employment levels were 60-some-odd people. Two years before they entered the program, they were down to 35 employees. They have now well over 100 people. These are skilled manufacturing jobs, machinists earning in the area of $10 to $12 an hour. There are now over a hundred working.

The company is profitable and has a very strong market niche. Those are specific instances. I could go on.

Mr. NEAL. Is there any legitimacy to the criticisms the Clinton administration has made?

Mr. MCLAUGHLIN. This is a subjective opinion. There is nothing in the position that the Clinton administration has said that is against this program. I think that their posture is a budget issue. However, I do not believe any of the programs that are in place

have the skills and the ability to do the analysis and deliver services that the trade adjustment assistance centers do.

We see what this business is and then design the assistance based on what we have to build on in that business. I do not believe that any existing programs have the skills and the management experience in turnaround situations, and most of our clients are turnaround situations, that the trade adjustment assistance centers have.

Mr. NEAL. I happen to think you do fine.

Mr. MCLAUGHLIN. Thank you.

Mr. NEAL. Thank you, Mr. Chairman.

Chairman GIBBONS [presiding]. I thank you all and I regret that I had other duties that kept me out of the room for awhile here. Have any of you any other illustrations of specific success programs—could you help me with those, please?

Mr. DOUBLEDAY. What did you say again?

Chairman GIBBONS. Have any of you other illustrations of your best success programs?

Mr. DOUBLEDAY. Yes, sir, quite a few.

Chairman GIBBONS. Give me a couple of them.

Mr. DOUBLEDAY. One in Florida, Florida Medical Industries, the Ostraneck Co. located in eastern North Carolina produces sandbags, among other products. As you might know, with the peace dividend and the situation, with the Cold War coming to an end, the market for sandbags is not as great as it used to be.

We felt this company recognized that what it must do is to compete more viably in the commercial market for different types of bagging products, and we helped them, one, design a cost system so they can cost products for this more highly competitive market; two, we have helped them with incentive system work so that the plant can be more productive, and I actually have charts to show productivity of the plant has increased in the neighborhood of 20 percent, the cost benefits from that; and number three, to identify what segments of the market they are best suited to go after.

All my associates here have pointed to the fact that a big part of the problem of these companies is not technology problems. It is management and marketing-type problems. Just to say that technology is going to lead these people out of the woods is not being very accurate.

There are management and marketing concerns that have to be addressed, and so many of these other programs that are available do not address these issues.

Chairman GIBBONS. That leads me to the question I was going to ask. I asked some of you to give me your best success stories. Can you tell me what you have tried that doesn't work? What experience did you gain from all of this? What doesn't work in this area?

Mr. DOUBLEDAY. One answer, what doesn't work? During the Hundred Years War 650 years ago, between the English and the French, the French with a very large force were attacking the English. They lined up the way they had done for years, and had been very successful in the war business, lined up on the other side of the field and this much superior force began marching across the field to attack the English with pikes, short bows and cross bows.

The English sat back with a new weapon, the long bow, and proceeded to pick the French Army apart. The French Army fell back and regrouped and once again started marching across the field, with the same results. During that day, they tried 11 times, with the same results. At the end of the day, there was no French Army. They kept believing that just because something worked in the past, it could work in the future the same way. They were not willing to change and adapt.

When we talk to people and they don't realize what has worked in the past may not work any more, that is when the companies continue to muddle along, continue to fight the same battle.

Mr. McLAUGHLIN. I would like to comment on that also. The type of company we work with tends to be hurt financially because the sales and employment levels have declined and that they have lost their market position. If you have failures in this program it is usually a result of two things. One, deterioration has been going on so long that you don't have sufficient time to turn things around. It is our job to make analyses and find out if we have something to build on. That is a unique and important skill that the trade adjustment centers possess.

The other issue ties in with what the previous speaker just said. In many cases, we find we can help the company, but the company has to make certain changes that they may or may not be willing to do. We have to take a very strong position with the company and say "Yes, we will support assistance for you, but you must take these actions."

For example, in New England, I have said to several different companies, "I will go to the Department of Commerce and recommend assistance for you, but you must replace your senior managers." I am talking to the owners of the business. In some cases, the owner says, "I am the senior manager."

I say "Yes, I know, but these changes have to be made for the good of the business and it is also for your own good. You don't have the skills to do this. You don't make a recommendation like that unless you believe it very, very strongly and are prepared to back it up with evidence and facts, but these are the types of things that if you are not willing to do, even though there is a strength that the company can build on, you are subjected to failure. If you are willing to do this, you can reduce your failure rate significantly. You can save the jobs. You can save the company, but you have to take those positions. You have to look at it very hard and dispassionately and say what is best for this company."

In New England, we don't view the manufacturer as our client. We view the employees. We want to save those jobs and what is best for them is what we will do and recommend to the Government.

Chairman GIBBONS. Well, I want to thank all of you for coming and helping us with this. I realize we are not talking about a huge amount of money. Do your groups get funding through other sources or are you entirely dependent upon the——

Mr. McLAUGHLIN. In New England, we are 100 percent dependent on the grants we have from the Department of Commerce plus the clients' cost share of the program. While we do get those reve-

nues, because they are generated with Government funds, they are Federal money.

Mr. YEFSKY. The Midwest is funded 100 percent by the trade assistance program also.

Mr. HALLENBECK. We are as well. Clients contribute 50 percent of the work done on the program, so they definitely have a stake.

Mr. DOUBLEDAY. At Georgia Tech, we have several ongoing programs. This is one of them. The funding from this program pays for the office services under this program.

[The following was subsequently received:]

LEWIS, ECKERT, ROBB & CO.
FINANCIAL AND MANAGEMENT CONSULTANTS

ONE PLYMOUTH MEETING

PLYMOUTH MEETING PENNSYLVANIA 19462
215-825-5200

June 10, 1993

Ms. Janice Mays
Chief Counsel and Staff Director
Committee on Ways and Means
United States House of Representatives
Washington, D.C. 20515-6348

Dear Ms. Mays,

In response to your June 1, 1993 memo I am enclosing a copy of the testimony transcript for the hearing of the Subcommittee on Trade held on May 27, 1993 regarding the Trade Adjustment Assistance program for firms. This transcript is submitted on behalf of Robert P. Hallenbeck, Jr., President of the MidAtlantic Employers Association.

In addition, Chairman Gibbons had requested during the hearing that we provide specific examples of firms which have been assisted by TAA, and the manner in which this technical assistance was provided. The enclosed package includes brief firm case analysis of certain firms from around the nation which have participated in the program. These analysis include explanations of how the firm was successfully assisted. We anticipate this material to be responsive to the Chairman's request.

Thank you for the opportunity to correct and supplement the record in this matter. Thanks also to you and your staff in cooperating with us in the arrangement of and conducting of the May 27th hearing. Your assistance was greatly appreciated.

Sincerely,

Robert S. Taylor

cc: Congressman William Coyne
Coleman Conroy
Robert P. Hallenbeck, Jr.
TAAC Sponsors

Florida Firm

This firm was one of two remaining domestic producers of mercury bulb thermometers. The firm primarily marketed to hospital supply distributors and faced increasing market share and pricing pressures from major U.S. competitors who had moved their production off-shore to Brazil and India. The firm also struggled with a high debt load caused by the its president's death and subsequent buy-out by his son.

During SETAAC's Diagnostic Analysis, it was discovered that the firm's major sales segment, medical supply distributors, were very price sensitive and increasingly susceptible to the cut-rate pricing strategies offered by importers. A major opportunity evolved as the firm's only domestic competitor contacted the company about selling out. The competitor had a greatly needed retail market presence. The sale was consummated and the competitor's physical assets were moved to the firm's plant. At this point, severe problems appeared. With increased debt service, the firm's fixed costs soared. Projected retail sales failed to materialize as retailers often refused to recognize the firm as a viable retail supplier. By the end of the year, they firm had accrued a tremendous loss. SETAAC made four major recommendations: to perform a market study of the direction of the clinical thermometer market to hire a sales manager with experience in retail sales of consumer medical products, to revise product costing and financial reporting procedures to recognize fixed and variable costs, and to initiate internal organizational changes to improve productivity and reduce costs (chief among them implementation of a plant-wide incentive system).

Research showed that the retail market for glass thermometers was stable or growing with pricing that allowed good profit margins. With the hiring of an effective national sales manager, retail thermometer sales have grown to the firm's major business. Although thermometer sales to distributors continue to dwindle with import pressure, the firm has added direct salesmen in this arena and has significantly increased sales of hot and cold pack. Revised costing procedures have shown that the firm can often be competitive in market segments previously neglected. The firm has aggressively moved into these segments. With a better understanding of its fixed and variable cost structure, the firm has improved its budgeting and forecasting and has used the process to justify sales force additions and new sales initiatives. The firm has implemented a plant-wide incentive program that has improved employee earning while reducing labor costs (in 1991 over $150,000 bonuses paid and productivity 20% higher). The firm continues to experience severe import pressure, most recently from poor quality but very low cost Chinese thermometers. However, the firm continues to increase sales and generate significantly improved profits. Overall, the firm sales have grown from $4.3 million in 1988 to $8.1 million in 1991.

Trade Adjustment Assistance Program

ENGAGEMENT SUMMARY

APPAREL MANUFACTURER

Background

The client firm, which is headquartered in Metropolitan New York City, is a manufacturer of men's, boy's and juvenile's woven tops. The firm was founded in 1970 by the current owner and employs over 300 people. Annual sales have been between $16-24 million dollars. At the time of certification, manufacturing took place at two company-owned plants, one in Mississippi, and one in North Carolina. The firm was and still is very proud of the fact that 100 percent of production is domestic. "Made in America" has become a focal point of the firm's marketing strategy.

As most domestic apparel manufacturers, the firm experienced increased competition from imported goods. Market share was lost and many long standing customers were shifting orders to factories in the Far East. There was less and less loyalty by retailers to their suppliers. Strictly stated, the market had become extremely "cut throat." The situation was causing the firm to lose $150,000 to $180,000 each year.

Assistance Provided

The NYS TAAC completed a diagnostic survey and adjustment proposal for the client firm. The proposed adjustment strategy included two external assistance projects. Market diversification and management development was needed if the firm was going to recover from the adverse impact of imported products.

Both of these projects are long-term solutions to the changing business environment. In the short-term, the diagnostic survey included several suggestions in the areas of manufacturing and marketing which were intended to produce quick, bottom-line results and stop the eroding competitive position.

In manufacturing, it was suggested the firm consolidate manufacturing into one facility, establish an incentive system within the cutting department, and improve inventory management and product forecasting.

In marketing, it was decided to spend more money and attention on design capabilities, focus on promoting the juvenile's and boy's lines to capitalize on current demographics and demand and to increase point-of-sale advertising.

Project Results

The client has successfully implemented the suggestions contained in the diagnostic and the results have exceeded the expectations. One manufacturing facility was sold and the work consolidated under one roof. An incentive system was designed and implemented and new manufacturing personnel were hired to oversee inventory and production. Marketing was refocused to highlight the juvenile's and boy's lines as well as new advertising and design work. The bottom-line results have been a sharp rebound in sales to a point where 1991 is on track to exceed $30 million dollars and a return to profitability.

TRADE ADJUSTMENT ASSISTANCE CENTER

Central Office:	Suite 102, 117 Hawley Street, Binghamton, NY 13901	(607) 771-0875, FAX (607) 724-2404
Metro Office:	Suite 308, 1501 Broadway, New York, NY 10036	(212) 921-1662, FAX (212) 921-1468
Buffalo Office:	Suites 287-289, 1807 Elmwood Avenue, Buffalo, NY 14207	(716) 877-8396, FAX (716) 875-7314

Trade Adjustment Assistance Program

ENGAGEMENT SUMMARY

PRECISION MANUFACTURING

Background

The client firm located in upstate New York, is a manufacturer of gage tolerance parts. Finished product can be measured and confident of meeting requirements of + or - millionths of an Inch. The firm is privately owned by its founder, who incorporated the business in 1967. Customers are a variety of well known Fortune 100 companies representing a diverse market profile. Typical markets served and components used are:

Computer, components used in printers, drives and storage disks.
Office Products, components and assemblies used in copiers.
Defense, components used in the AEGIS missile systems.
Automotive, fuel injection components and assemblies.

The client had enjoyed continued growth in sales, profits, and employment, since its inception. Sales reached a pinnacle of $9.2 million, and employment at 124 people in 1987, thanks largely to participation in large programs for Xerox, Digital Equipment Corporation, and IBM in the computer and office product markets. Unfortunately, after the client accomplished all of the product development work, much of the actual manufacturing was sourced overseas, in the Far East and Europe. As this trend continued, it was estimated that the client lost potential sales of nearly $17 million to offshore manufacturers. Nearly 70 percent of sales were tied to the U.S. computer market, which in an effort to compete, has moved a large share of work overseas. This fact lead to declining sales and employment. Fiscal 1991 recorded sales of $7.6 million with 83 employees.

Assistance Provided

The client learned of the NYS TAAC through the local chapter of National Tooling and Machining Association (NTMA) and was certified eligible in late 1990.

The NYS TAAC completed a thorough diagnostic analysis and the resulting adjustment strategy identified two key areas where the client was weakest:

1. The lack of a formal marketing plan and/or strategic direction.

2. A need to improve managerial effectiveness through human resource development.

The marketing plan was first addressed and concluded in the fall of 1991. The end result was the suggestion to strongly pursue the medical sector, particularly the areas of surgical instrument and implant manufacturing. This would allow the client to minimize their reliance on the computer and office products and use their strong skills in engineering and product development. The $30,000 marketing plan was cost shared 75 percent government, 25 percent firm. The money was well spent as the following will attest.

Project Results

1. Six additional direct labor positions were created and filled contributing over $150,000 to the local economy and additional tax revenues to federal and state governments.

2. Sales in the medical sector now account for 12 percent of total sales. Making the firm less reliant on one section of the economy.

3. The client has recorded a profit each month and expects to earn approximately $300,000 this year, of which $120,000 will be paid out in taxes.

4. The client's bank, which had been concerned about the lack of direction and net losses, now views the client as a viable, financially healthy concern.

The human resource project is nearing completion (March 1992) and the firm is already realizing benefits. Once totally completed, the project will give the firm a comprehensive, integrated Human Resource System, with an emphasis on employee development. This will assure the workforce remains highly skilled, a necessity in today's marketplace. Total Quality Management is the way for U.S. manufacturers to regain their position as the top manufactures in the global marketplace.

LUDLOW-SAYLOR, INC.

Ludlow-Saylor was founded in 1855. The Company is located in Warren County, a rural county about 50 miles west of St. Louis, Missouri. It is in the business of manufacturing and marketing precision aperture screens. During the 135 year history a variety of products were added as the need emerged such as barbed wire, hardware cloth, fly screen and wrought iron decorative screen. As competitors were established concentrating specifically on these products or as the needs of the market changed, Ludlow-Saylor returned to the business of making precision opening screens for the aggregate and mining industry.

Recently, there has been a dramatic increase in the use of polyurethane screens to screen aggregates and ores. The polyurethane screens originated in Europe and South Africa. They have gained wide acceptance there and are currently becoming very popular in the United States. The polyurethanes, while costing more, show much better resistance to wear and abrasion. These screens were primarily responsible for the 10% drop in production Ludlow-Saylor saw in fiscal year 1988 to 1989. Employment also dropped from 96 to 90 during the same period.

Ludlow-Saylor applied for certification in the Trade Adjustment Assistance Program on September 7, 1989. The firm was certified on October 24, 1989. The firm's Adjustment Proposal (A.P.) was submitted on January 24, 1990. The A.P. was approved on February 22, 1990. The firm requested assistance in developing and marketing a new product line, specifically, polyurethane screens. Several tasks were identified as potential areas for assistance:

1. A market study to determine the current and future market for polyurethane screens.

2. A manufacturing study to determine if the new product line should be licensed, purchased or developed in house.

3. A training and safety program to train and educate employees and supervisors in the new product lines including safety training for toxic material.

4. A marketing plan to sell two directly competitive products.

With the assistance of the Mid-America TAAC, Ludlow-Saylor has licensed a polyurethane production process from a company in Australia. The Company has constructed an addition to the plant in Warrenton and purchased the capital equipment to produce the new product line. They are currently developing the production process.

The Company and Mid-America TAAC has jointly identified several areas that require assistance. In addition, Mid-America TAAC conducted a literature search for the company through the Small Business Development Center's Technology Search Program. Some of the literature was in foreign languages which required translation by students referred by the International Students Association on the University campus.

Initial assistance consisted of an evaluation of the technical and marketing attributes of the new product line. This evaluation consisted of a survey and an analysis of the survey. These

tasks have been completed resulting in: 1) A great deal of data concerning customer demands with regard to the new product line; and, 2) A two color brochure incorporating the above information.

The next phase of assistance began in August, 1990. This assistance involved training Ludlow-Saylor personnel in the use of the Australian firm's process and equipment. At the completion of this task Ludlow-Saylor personnel felt very comfortable with the new equipment.

In the next phase of assistance Mid-America TAAC brought in two University of Missouri-Rolla engineering professors to assist in the testing of existing specimens of polyurethane screen for wear resistance relative to Ludow-Saylor polyurethane. The professors were then to make suggestions for improving the characteristics of Ludlow-s screen. These tasks were successfully completed in December 1990. The next two phases of assistance involved the design and execution of a training program for inside and outside sales personnel. One phase called for the design and construction of an application manual and the other phase called for the design and execution of a video tape. The tape and the manual were delivered in February, 1991.

Ludlow-Saylor then determined that the distribution channels for the new product line were unique from their other products. The company felt a presentation for manufacturing representatives was necessary. A program was developed and delivered to the Company in August of 1991. Currently Ludlow-Saylor is working with a consultant to define and analyze the total industrial market for screening media. This market research includes both primary and secondary research.

Ludow-Saylor estimated that the new product line would require an initial investment of over $500,000 and an annual tooling expense of $60,000. They also estimated that they would need to hire 50 new employees including a plastic division manager.

The Company has invested $500,000 in new equipment and building expansion. They have hired a new manager along with eight new production workers. As bugs are worked out and production increases, more production workers will be required.

JOHANSEN BROTHERS SHOE COMPANY, INC.
A Decade of Survival

Johansen Brothers Shoe Company was founded in 1876. Johansen Bros. specializes in the manufacture and marketing of women's dress shoes. The Company has a reputation for high quality, fashionable, "true" fitting dress shoes. Johansen's manufacturing facilities are located in Arkansas in the small communities of Harrisburg and Corning. Johansen current employment is 190.

Johansen Bros. was first certified as eligible for Trade Adjustment Assistance in 1978. The late 70's was a period when American shoe manufacturers were beginning to succumb to import competition.

The diagnostic study and subsequent adjustment proposal written for Johansen Bros. in August 1978 requested the Department of Commerce for technical assistance in manufacturing and marketing. The adjustment plan was approved with 50% firm share - 50% government share. With the adjustment plan, was also approved a $1,000,000 TAA financial assistance loan package.

TAA Technical Assistance:

Following were the projects implemented by Johansen Bros. during the late 1970's and early 80's:

	Task	Consultant	Total Cost	Firm Share
i.	Manufacturing Integration	John L. Schwab	$90,020	$45,010
ii.	Marketing Study	Siar	5,716	2,858

i. Manufacturing Integration:

Johansen Bros. Shoe Co. is of the firm belief that the sole reason it has remained feasible and operational during the past decade was the direct outcome of the manufacturing integration project done by John L. Schwab Associates. Improvements in manufacturing productivity and costs enabled Johansen to be competitive in a market place which was inundated by imports. This project helped Johansen educate itself and change some of its earlier philosophies on multi-location facilities. This change ultimately proved to be vital in its fight for survival.

The manufacturing integration project recommended and implemented several bold steps to increase productivity. The project converted autonomous fully equipped manufacturing facilities to specialized facilities. The project recommended cutting and fitting at the Harrisburg facility with finishing and packing done at Corning. This resulted in significant increases in productivity and decreases in manufacturing costs. In addition, it helped employees become skilled in a smaller range of operations. Several new procedures which allowed Johansen to implement and sustain the recommended changes were established. These procedures and systems are in place and working well today.

ii. Marketing Study:

The changes that occurred in the footwear industry in the 1980's due to rapid increases in imports prevented Johansen from achieving all of the desired benefits. The study which dealt with the women's footwear market became obsolete very quickly due to the unusually high jumps in imports. Johansen did, however, benefit from some of its findings. This included the prediction that direct marketing/catalog sales, particularly in the footwear industry, was going to become a prominent marketing tool. In less than five years, Johansen has increased its direct marketing sales from less than 5.0% to over 25.0% (in 1991) of net sales. The most attractive feature of direct marketing is that it is the most profitable of all Johansen's sales.

TAA Financial Assistance

The financial assistance provided by the TAA program proved to be of immense help to Johansen Bros. in its subsequent implementations of strategies recommended by consultant studies as part of TAA technical assistance. The preceding sections explained how the technical assistance Johansen received, enabled it to increase its productivity, decrease manufacturing costs and stabilize its market share. It was this improved performance that permitted Johansen to payoff the $1,000,000 loan in a very efficient manner. The loan was repaid in its entirety to the government by 1987.

During the past several years, the Johansen's, who pioneered in the design and manufacture of women's dress shoes during most part of the twentieth century, have seen hundreds of their fellow shoe manufacturers disappear in the United States. For them, it has been a constant battle of survival and to that extent, have been successful for a decade and a half. During this period, two small communities in Arkansas have existed on the shoulders of this firm. For Johansen Bros., this survival in a difficult environment, represents a sense of pride and success.

CURTIS MACHINE COMPANY, INC.

Curtis Machine Company, Inc. was founded in 1946 with a lathe, milling machine and a welder, in a 20 x 30 foot building constructed behind the Curtis home. One of the first jobs for which Curtis Machine Company contracted was to manufacture gearboxes to operate grain augers for Slocum Manufacturing of Ensign, Kansas.

By 1950 more machines had been bought and a larger building was erected. At that point Curtis Machine had five employees; the Company was still doing job work, but was still doing sub-contract work for the aircraft industry. During the 50's Curtis Machine did work on the B47, the B52, helicopters and missile applications for Boeing and the Martin Companies.

In the late 50's Curtis Machine began to design and build complete gearboxes and small power transmission. The business continued to grow and additional space, machinery, and employees were added. In January of 1965, the move was made to Curtis Machine's present location. Between 1965 and 1980 six expansions and more than 100 employees were added to that facility. Curtis Machine was at its peak in 1981 when it employed 128 persons and had annual sales in excess of eight million dollars.

This was when the downward trend of Curtis Machine Company began. During the early 1980's, the dollar was strong and this encouraged competition from companies in Italy and the Republic of China. The slowing down of the agricultural industry further added to Curtis Machine's problems. At the same time, the Company was slow in updating its manufacturing technology and management. As a result, it was less competitive and annual sales had dropped by over 25 percent to six million dollars. During the same period, there was even a higher percentage drop in employment with Curtis' employment being 96 in 1984.

Curtis Machine Company approached Mid-America Trade Adjustment Assistance Center in 1984 to take advantage of the federal Trade Adjustment Assistance Program meant for U.S. firms impacted by foreign competition. A petition for certification was submitted and the firm was certified for technical assistance by the U.S. Department of Commerce on November 29, 1984.

The first task of Mid-America TAAC was to analyze Curtis Machine Company's primary functional areas and to prepare an adjustment plan. This is a strategic plan devised in conjunction with a firm to help in its recovery.

Curtis Machine's adjustment plan identified key areas for assistance. These included manufacturing and marketing.

Curtis Machine over the years had established itself as a job shop and therefore its plant layout was set-up as a process layout. This layout resulted in a lot of inefficiencies. For example, the average lead time to produce a gearbox was as high as 5 to 6 weeks. Curtis Machine was unable to pin point the reasons for this and therefore could not rectify the problem. During the same time, large customers such as Caterpillar and John Deere were involving themselves in quality assurance programs and just-in-time philosophy. This meant that Curtis Machine had to supply excellent quality tested gearboxes with minimum of lead times. Minimizing lead times also

meant that Curtis Machine's cash flow would improve due to lower work-in-process inventories and higher throughout.

With all this input from the Mid-America TAAC, Mr. Stuart Curtis, the President of Curtis Machine Company, Inc., decided that a change in manufacturing and management philosophy was required in his Company and that he should take advantage of all the assistance and support he could get from the Trade Adjustment Assistance Program. The Company established a major goal that it would become a World Class Manufacturer and all subsequent activities of Mid-America TAAC and the Company were targeted towards this goal.

An automation plan was implemented based on recommendations on plant layout and manufacturing philosophies. The revised layout included group technology and just-in-time concepts.

A computer aided design/computer aided manufacturing (CAD/CAM) project was implemented to help Curtis Machine integrate its manufacturing activities. Previously, all design activities were being done on drawing boards. Programs for machining were then written manually and loaded on the respective computer numerical controlled (CNC) machines. Today, Curtis does all design work using the computer package CADKEY and is fast reaching complete integration in manufacturing. It has installed the most updated version of the IBM MAPICS which is a modern manufacturing resources planning (MRPII) package on a new AS/400 computer system.

All of these changes have tremendously increased Curtis Machine throughout. The average lead time for a gearbox is now down to three weeks and is still improving. With an increase in productivity and better customer satisfaction, its employment and sales have started going up since 1988. It was during this period that the major projects mentioned above started being implemented.

Following are the comparative figures for the last three years:

	1988	1989	1990	Growth
Employment	120	135	145	21%
Sales ($) in millions	5.7	7.1	8.0	40%

During the period of TAAC assistance, Curtis Machine has invested in excess of $500,000 in new processes and equipment. This in turn has tremendously helped the local economy of Dodge City, Kansas.

We are now in the process of implementing a quality assurance program which will help Curtis Machine meet quality requirements of the toughest customers worldwide. Curtis Machine is soon to be established as a World Class Manufacturer of gearboxes.

III. OBJECTIVES AND FUTURE DIRECTIONS

For fiscal year December 1, 1991 through November 30, 1992, Mid-America TAAC has established the following performance goals:

- Inquires 300
- Pre-Certification Assistance
  - Petition Submissions 18
  - Firms Certified 15
- Post-Certification Assistance
  - Adjustment Proposal Submissions 10
  - Adjustment Proposal Approvals 9
- Post Approval Assistance
  - Carried Over 8
  - New Firms 8
- Continue to develop and strengthen our network system with federal, state and local governments; trade and professional organizations and other interested parties
- Broaden client base in Arkansas and Kansas
- Implement assistance to nine new firms

Mid-America TAAC will have $584,722 in carryover approved adjustment assistance from fiscal year 1991. We also expect to generate about $1,000,000 in new approved adjustment assistance in fiscal year 1992. Due to funding constraints we were able to budget funds for about 17% of the $1,584,722 in estimated approved assistance. The director of TAAD withheld $850,000 from TAAC budgets in fiscal year 1992 to be allocated in supplemental requests in the third quarter of 1992. Mid-America TAAC hopes to receive a large portion of these funds, the majority to be used for firm assistance.

NETAAC New England Trade Adjustment Assistance Center, Inc.

120 Boylston Street
Boston, MA 02116

Telephone
(617) 542-2395

Fax
(617) 542-8457

Trade Adjustment Assistance Profile

MEDICAL PRODUCTS MANUFACTURER
Bloomfield, CT

HISTORY OF THE FIRM

The firm manufactures soft healthcare products such as bandages and cushions. In 1988 and 1989, a triple economic blow decimated the company's financial position. Several large sales accounts were lost as imports made substantial inroads into the company's domestic market. In addition, the company relocated to a new facility and its costs soared. The firm had only captured a small market share of a growing market and it had a weak sales force. Further, marketing and sales activities were misdirected. The company had a negative net worth and needed additional credit and/or a major reduction in fixed expenses.

The firm employed 15 people and had a loss of $228,000 on net sales of $735,000 when it was certified as eligible for Trade Adjustment Assistance in 1989.

TRADE ADJUSTMENT ASSISTANCE

NETAAC's analysis revealed that assistance was needed in three areas: finance, sales and internal operations. The company's operations needed to be refinanced to insure survival and fund growth. Computerization would improve the efficiency of internal operations. Several marketing efforts were planned to expand sales volume. The firm received approval from the Department of Commerce for $60,000 of assistance, of which the government would pay $45,000 and the firm would pay $15,000. At a later date, as the firm made progress on its original strategy, an additional $38,000 was granted the firm, on a 50% government and 50% firm cost-sharing basis.

A financial consultant reduced the firm's expenses and prepared financials and a business plan for presentation to commercial lenders. The company has been able to maintain its bank relationships in a geographic area that is experiencing a major recession and a severe credit crunch. Operations are now running above break-even levels and cash flow is now positive. Direct labor has increased the company's efficiency by at least 15%, making the firm substantially more price competitive versus imported products.

The organization of the company has been significantly strengthened. A sales manager and a manufacturing manager have been hired, and financial and managerial controls have been installed to enhance efficiency. Improved sales aids (updated catalogs, new packaging, an attractive trade show booth) and the newly hired sales manager have been responsible for major increases in sales volume. In 1991, when the firm completed Trade Adjustment Assistance, the firm's employment level had increased 60% to 24 people and sales had risen 71% to $1,257,900.

NETAAC New England Trade Adjustment Assistance Center, Inc.

[illegible] Boylston Street
Boston, MA 02116
Telephone
(617) 542-2395
Fax
(617) 542-8457

Trade Adjustment Assistance Profile

TEMPERATURE INSTRUMENTS MANUFACTURER
Middlefield, CT

HISTORY OF THE FIRM

The firm manufactures temperature measuring devices for a variety of consumer and industrial applications. In 1990, sales had declined below break-even levels and profit margins were dramatically reduced due to low market growth and increased imports. Cash flow and working capital were restricted. When the firm was certified as eligible for Trade Adjustment Assistance in 1990, sales were $9,187,000 and the firm employed 83 people, down from 107 employees only two years earlier.

TRADE ADJUSTMENT ASSISTANCE

NETAAC's review indicated that substantial improvements in working capital could be achieved by reducing inventory. Inventory reduction required a new management information system, which also would reduce fixed expenses. Strategic planning assistance was required to determine new product line additions and market niches. The company received approval for $115,000 of Trade Adjustment Assistance, of which the government was to pay $72,450 and the firm $42,550.

The successful implementation of the computerization project has enabled the firm to significantly reduce debt and improve liquidity. Inventory levels have been reduced by $450,000. Inventory turnover has increased accordingly and working capital has improved. Fixed overhead expenses have decreased by over $150,000.

Assistance in marketing and strategic planning was also delivered. This assistance has focused the firm on the higher-profit, better-growth market niches that it services. As a result, while volume has only grown modestly in 1991 over 1990 levels, profit levels are substantially higher. This assistance indicated there was potential growth in the export market. As a direct result, the firm has booked new orders in excess of $250,000 for shipment into the European common market. Substantial additional growth opportunities in the export market have been identified and the company believes that export sales will exceed $1 million within two years.

In 1991, the firm employed 89 people, up 7% from a year earlier, and sales totalled $9,245,000. Most importantly, profits before taxes increased tenfold to $425,000 versus a slight profit of $40,000 in 1990.

NETAAC New England Trade Adjustment Assistance Center, Inc.

120 Boylston Street
Boston, MA 02116
Telephone
(617) 542-2395
Fax
(617) 542-8457

Trade Adjustment Assistance Profile

OPTICAL COMPONENTS MANUFACTURER
Hudson, NH

HISTORY OF THE FIRM

The firm manufactures zoom lenses and other optical components for use in industrial and military applications. When the firm contacted NETAAC, it was operating in Chapter XI. The company had lost sales due to increased Japanese imports of optical systems. The severe financial situation had worsened as a result of an industrial accident which required the reworking of a large lens order. The company was certified as eligible for Trade Adjustment Assistance in 1990, when the firm employed 39 people and had net sales of $2,096,127. Losses that year totalled $248,000.

TRADE ADJUSTMENT ASSISTANCE

NETAAC's strategy was to assist the company in resuming normal operations. This required the development of a business plan and pro forma financials that would be accepted by the court, allowing the company to operate in Chapter XI. Secondly, NETAAC determined that the company needed to expand sales through product development and the creation of new promotional literature. Also, improvements in the job order costing and production/inventory control systems could be attained through computerization. The firm received approval for $75,000 of Trade Adjustment Assistance, for which the government would pay $55,500 and the firm $19,500.

A financial consultant was retained and successfully negotiated with creditors and delivered the company from Chapter XI in late 1991. A new capabilities brochure was developed to utilize not only as a sales tool but also as a means of attracting potential investors. This brochure has been a useful tool in retaining existing business and attracting new business in a declining market.

In 1991, the company employed 27 people and had sales of $2,059,000. Most importantly, on roughly equal sales volume, the company earned a profit of roughly $160,000 in 1991 versus a loss of $248,000 in 1990.

NETAAC New England Trade Adjustment Assistance Center, Inc.

20 Boylston Street
Boston, MA 02116

Telephone
(617) 542-2395

Fax
(617) 542-8457

Trade Adjustment Assistance Profile

APPAREL CONTRACTOR
Ashland, NH

HISTORY OF THE FIRM

The firm is an apparel contractor producing women's sportswear for other apparel companies. The firm performs cutting, stitching, finishing and shipping operations. During the late 1980s, the company's employment levels declined as imports eroded the market share of domestic manufacturers. In 1989, the firm lost almost $200,000 on sales of $8 million. When the company was certified as eligible for Trade Adjustment Assistance in 1990, it employed 333 people and had sales of $6,836,466.

TRADE ADJUSTMENT ASSISTANCE

NETAAC's analysis revealed a need for training videos to improve productivity by reducing training time and cost by 50% as well as a larger project involving a requirements determination and implementation of an electronic data interchange (EDI) system. EDI is a technology permitting the firm to have a "quick response" system between itself and its customers. For most U.S. apparel producers, this Quick Response concept has the potential to reduce costs by keeping inventories lower, reducing incidences of forced markdowns, shortening reorder cycle time, and avoiding stock-outs and excessive paperwork. Having an EDI capability would allow the firm to attract new customers and improve relationships with current customers.

The company received approval from the Department of Commerce for $75,000 of assistance, of which the government would pay $54,750 and the firm would pay $20,250. Currently, the firm has completed the training video and the EDI requirements determination study. To be undertaken is the implementation of the EDI system.

In 1991, employment at the firm had risen 19% to 396 and sales had increased to $6,961,182.

NETAAC New England Trade Adjustment Assistance Center, Inc.

120 Boylston Street
Boston, MA 02116

Telephone
(617) 542-2395

Fax
(617) 542-8457

Trade Adjustment Assistance Profile

WOOLEN MILL
Winthrop, ME

HISTORY OF THE FIRM

The firm is a manufacturer of fine quality woolen fabric sold to manufacturers of clothing, contract office/home furnishings and fabric. In the late 1980s, the demand for wool fabric was flat to declining. Imported wool from Europe and the Far East had increased market share in the United States. When the company was certified as eligible for Trade Adjustment Assistance in 1989, it employed 564 people and had sales of almost $40 million.

TRADE ADJUSTMENT ASSISTANCE

NETAAC's review of the business indicated that although the firm was well-managed and had good controls in place, more had to be done to increase market share and improve operational efficiencies. By increasing market share in the higher-margin, menswear and non-apparel segments, profitability would increase and seasonality and employee turnover could be reduced.

The company received approval from the Department of Commerce for $150,000 of assistance, for which the government would pay $79,500 and the company $70,500. The projects funded by TAA involved an executive search to upgrade the industrial engineering capabilities of the firm, improvements in product quality through implementation of statistical process control, operations analysis, a training video, a corporate video capabilities presentation, market introduction for a new product, and a manufacturing operations improvement effort.

All but one of the projects have been undertaken and completed. The company is now profitable, employment has risen 3% to 582 and sales shot up 12% to $44,812,000 in 1991.

NETAAC New England Trade Adjustment Assistance Center, Inc.

120 Boylston Street
Boston, MA 02116

Telephone
(617) 542-2395

Fax
(617) 542-8457

Trade Adjustment Assistance Profile

CANOE & SNOWSHOE MANUFACTURER
Stowe, VT

HISTORY OF THE FIRM

Fierce competition from Canadian snowshoes forced the company's sales volume substantially below break-even levels and the firm experienced a large operating loss. To build the business, the company made two important acquisitions. However, profit margins and manufacturing efficiencies still had to be improved. At the close of 1989, employment was 19 and sales were $526,000 with a loss of over $200,000. The firm was certified as eligible for Trade Adjustment Assistance in early 1990.

TRADE ADJUSTMENT ASSISTANCE

NETAAC's analysis indicated that growth was the key to the company's future success. The expansion of distribution and gains in market share were critical for both the snowshoe and canoe product lines. Operational efficiencies were to be improved through a more efficient plant layout, the revision of manufacturing methods, and an incentive system. The Department of Commerce approved the company's request for $40,000 of Trade Adjustment Assistance, of which the government would pay $30,000 and the firm $10,000.

With the assistance of a product designer and graphic designer, the firm has successfully researched, designed and brought to market a revolutionary new snowshoe, using a metal frame instead of the traditional wooden materials. A business consultant assisted the company with improving productivity by enhancing employees' involvement with their work. Shop floor operating controls and an incentive compensation program were introduced, reducing direct labor costs by 30 to 35 percent within three months.

At the end of 1991, employment at the company had increased 47% to 28, and sales had almost doubled, reaching $1,020,000.

NETAAC New England Trade Adjustment Assistance Center, Inc.

120 Boylston Street
Boston, MA 02116

Telephone:
(617) 542-2395

Fax
(617) 542-8457

Trade Adjustment Assistance Profile

HANDLE AND KNOB MANUFACTURER
Warwick, RI

HISTORY OF THE FIRM

The company is primarily a custom job shop, servicing a wide range of customers with a vast array of products, primarily metal and plastic handles and knobs. Imported metal products from the Far East had eroded the company's market share. Further, plastic handles and knobs, from both domestic and imported sources, had been able to replace higher-priced machined metal products in some applications. Thus, some of the firm's products were becoming obsolete. In 1989, when the firm submitted its certification petition to determine whether it was eligible for Trade Adjustment Assistance, the company employed 30 people and had sales of $1,890,000.

TRADE ADJUSTMENT ASSISTANCE

NETAAC's analysis indicated that sales needed to be increased above the break-even point, the company's competitive advantages needed to be leveraged, internal operations needed improvement and the capabilities of the management group had to be expanded. The firm received approval from the Department of Commerce for $50,000 of Trade Adjustment Assistance, of which the government would pay $37,500 and the firm $12,500.

The projects funded by TAA included upgrading the computer system by installing key modules not then in use and modifying others so that they would provide better reports to management. A financial specialist from NETAAC consulted with the company on many issues, including budgeting and cost-control. A third project entailed the establishment of written policies and operating procedures for the sales department and inventory control function. Fourth, sales and marketing report generation was examined and improved. Finally, a project to formalize the quality control standard operating procedures was performed successfully so that the company could be in compliance with the requirements of some of its largest customers.

In 1991, the company employed 29 people and sales had increased almost 8% to $2,037,490.

NETAAC New England Trade Adjustment Assistance Center, Inc.

100 Boylston Street
Boston, MA 02116
Telephone
(617) 542-2395
Fax
(617) 542-8457

Trade Adjustment Assistance Profile

SURGICAL LIGHTING PRODUCTS MANUFACTURER
Worcester, MA

HISTORY OF THE FIRM

The firm manufactures surgical products based on fiber optic technology, such as lighting systems and magnifying loupes. Before entering the Trade Adjustment Assistance program, the company had experienced a loss of sales due to increasing imports, especially in the camera system product line. Because the company reported a loss in 1989 and had violated some loan covenants, the bank had indicated that it might not renew its agreement with the company in 1990. A new product had been developed but had not yet been introduced. When the firm was certified as eligible for Trade Adjustment Assistance in 1990, the company employed 30 people and had sales of $4,300,000.

TRADE ADJUSTMENT ASSISTANCE

NETAAC's analysis indicated that manufacturing costs had to be reduced and the newly developed loupes product needed to be introduced. The company received approval from the Department of Commerce for $85,000 of assistance, of which $60,350 was to be paid by the government and $24,650 by the firm. The assistance was to cover several areas. Development of a product introduction plan and marketing literature for the new magnifying loupes were recommended.

Optics design engineering was required to complete the needed components for the company's new product. As the firm was planning on moving locations, layout of the plant into which the company would move was requested. An executive search for a new manufacturing manager was necessary. Computer aided design and computer aided manufacturing (CAD/CAM) software to maximize the use of a computer-numerically-controlled milling machine and reduce component costs was suggested. Two final projects, one in financial analysis and the other entailing development of a video to promote the new products, completed the assistance package.

To date, all but one of the projects have been successfully completed. Development of promotional literature for the magnifying loupes product remains to be implemented.

As a result of Trade Adjustment Assistance, the company's relationship with its bank has improved immensely. The firm employed 32 people at the end of 1991 and sales had increased 23% to $5,300,000, with a reported net profit.

Kentucky Firm

This manufacturer of sporting good equipment was faced with declining sales due to import competition of products that the firm was unable to produce themselves. To compound this situation, the firm had a significant inventory of "seconds" that was growing as a natural by-product of its manufacturing process. Although the "seconds" were functional products, there was no known viable market.

The SETAAC Diagnostic Analysis focused on identifying a new market that could utilize these "seconds". A new market was identified for specialty advertising as an outlet for the firm's product inventory as well as new production. This product utilized the firm's capability to personalize products with company logos and names.

SETAAC provided implementation assistance that quantified this new market and assisted in product design, promotional support, sales training, pricing and product planning. Training of manufacturing supervisors was also provided to aid in reducing manufacturing costs.

Response to the initial offerings has been exceptional. The new product is considered unique and currently does not have any direct product competitors.

TRADE ADJUSTMENT ASSISTANCE FOR FIRMS

Business: Manufacturer of uniforms, formal apparel, bow ties and cummerbunds.

Location: Los Angeles, CA

Impaction: The firm was established in 1968 as a small, privately held manufacturer of formal wear and accessories. In 1986 the firm began to manufacture uniforms, which currently comprise approximately 45% of total sales. The firm specializes in quick-turnaround of small orders, primarily selling items from its catalog, and has been maintaining high finished goods and work in progress inventories. The firm faces a serious import competition from lower cost Korean imports of bow tie/ cummerbunds.

The firm was certified eligible to apply for Trade Adjustment Assistance in May, 1989, and filed an Adjustment Proposal in November, 1989.

Assistance: The thrust of firm's recovery strategy is twofold: (1.) to pursue a path which will lower their manufacturing costs through basic improvements in the production processes and training of production management to be accomplished through the implementation of an industry specific MIS system for improved production and financial control comprising the following elements: order entry, invoicing, purchase orders, inventory/ work in progress, management information, accounts receivable, accounts payable, payroll, and general ledger; and, (2.) to implement a refocused marketing strategy designed to expand the firm's customer base through the concentration of marketing efforts on the greater potential customer base of the custom uniform market.

Results: Efficiency improved significantly through implementation of the recovery strategy. The MIS system allows the firm to quickly respond to customer inquires regarding order status and availability. The firm has also decreased the number of late or non-paying accounts by utilizing this function in the accounting facet of the MIS program. The firm has also been able to exercise better inventory and work in process control through the implementation of this program, thus cutting the amount of capital tied up in inventory.

The marketing task has resulted in a streamlined product offering. Through instituting a 15% reduction of their product lines, the firm eliminated those products which were not selling. This enabled them to concentrate on those sucessful products, thus refocusing their marketing. They are also aggressively moving into the custom uniform market, while steadily increasing sales in all areas. Through the use of a new revamped catalog and frequent exposure at trade shows, sales are currently showing a healthy growth. The firm is currently negotiating to hire a new sales rep to handle the custom uniform niche exclusively. Sales were down four percent at the time of certification, and have now recaptured this loss, to bring them up to just over $1 million in sales this year. Their employment has stabilized because of the increased efficiency of the operation and is expected to increase in the future.

Western TAAC December 1990

TRADE ADJUSTMENT ASSISTANCE FOR FIRMS

Business: Garment contractor engaged in producing garments for other manufacturers.

Location: Montebello, CA

Impaction: The firm was founded in 1967 as a California corporation specializing in producing knit and woven sportswear for men, women and children. Products are cut and sewn from cotton and cotton blends as pants, shirts, shorts and skirts. From inception, the firm grew to nearly 1.8 million dollars in sales and 105 employees.

Import impaction in the garment industry, primarily from Asia, completely eliminated firm sales of some product lines. These lines represented 30% of the sales, their largest accounts and largest profit margins. The firm was forced to accept smaller miscellaneous short run accounts which were far less profitable, given the existing methods of manufacturing. Sales declined from 1.8 million to 1.2 million.

The firm was certified eligible to apply for Trade Adjustment Assistance in December 1989 and filed an Adjustment Proposal with the Department of Commerce sixty days later in February 1990.

Assistance: The Western Trade Adjustment Assistance Center helped the firm to diagnose its strengths and weaknesses, and to develop a realistic and attainable recovery plan. The focus of the firm's recovery strategy was to improve their manufacturing efficiency and cost competitiveness in product lines now impacted by foreign competition; and to increase sales through expansion and promotion of a full service capability. The firm received technical consulting assistance funds amounting, in total, to $15,000 in the areas of process and methods engineering, as well as marketing and merchandising.

Results: The assistance the firm received improved their international competitiveness dramatically. Over the past five months since assistance began, sales have increased 500 thousand dollars, on an annual basis, and employment has increased by 23 employees. The firm intends to increase employment by another 33 employees within the next ninety days to a total of 196, in response to increased orders.

Western TAAC May 31, 1991

TRADE ADJUSTMENT ASSISTANCE FOR FIRMS

Business: Manufacturer of precious metal jewelry items

Location: Honolulu, HI

Impaction: The firm was established in 1972 as a sole proprietorship producing a very creative, high quality line of 14 karat gold charms, pendants, earrings, etc. based on Hawaiian motifs such as whales, fish, seagulls, and other animals. In the early 1980's the firm began manufacturing a new line of enameled and engraved jewelry to offset the foreign competition in their original line. By the late 1980's this line was also adversely impacted by offshore producers. The firm therefore introduced a line of coin jewelry to offset the effects of the increased import competition. Traditionally distributing their products through local department stores and fine jewelry outlets, the firm has been heavily dependent on the Hawaiian tourist trade. Import competition has been an ongoing problem for the firm because the Far Eastern manufacturers specialize in quick knock off's of popular designs.

The firm was certified eligible to apply for Trade Adjustment Assistance in December, 1988, and filed an adjustment proposal in May of 1989 (amended in June of 1990).

Assistance: The firm proposed to pursue a recovery strategy emphasizing two primary facets of their business. The marketing aspect involved developing an identity for the firm under a new trade name as a means of creating the image of a coin minting company. This would be accomplished in conjunction with a realignment of the product line with the main emphasis on coin jewelry and commemorative coins, though the firm will continue manufacturing their traditional product lines. The firm intended to also institute productivity improvements through the installation of a MIS system which would encompass management planning and control as well as product pricing and sales. This facet of the strategy would also emphasize reorganization of manufacturing processes and production for greater efficiency and diversity.

Results: The TAA received by the firm has streamlined their operations to the point where increased production and sales necessitate moving to a larger facility. Increased sales are the direct result of the combination of the new marketing strategy as well as productivity improvements. The firm feels the assistance provided brought them a entirely new perspective on their business as well as creating unexpected opportunities. While the firm is currently a little concerned about how soft the tourist market is in general, they feel confident that the industry will soon pick up, and they are poised to expand with the market. However, firm sales and employment have increased by 30% since certification, (from 1,000,000 to 1,500,000; from 7 to 10 employees) and the firm expects to continue growing.

Western TAAC March, 1991

TRADE ADJUSTMENT ASSISTANCE FOR FIRMS

Business: Manufacturer Women's Apparel

Location: Honolulu, HI

Impaction: The firm was a Hawaii corporation that has been in the business of design, manufacture and sale of women's apparel since 1974. Original product lines were based on traditional Hawaii attire, principally long and short muu muus. In the early 1980s this market was overrun with clones of Hawaiian designed garments manufactured abroad and sold at prices below the cost to produce in Hawaii.

Although many Hawaiian firms in this market failed as a result, the firm survived and returned to profitability through cost reduction in overhead and manufacturing, greater emphasis on originality of design and fabric, and the introduction of a line of petite sized dresses, blouses and skirts which evidenced their Hawaii heritage but were suitable for, and targeted at career oriented women. In this manner the product was sufficiently differentiated to permit pricing which would realize an acceptable profit margin.

Until 1988, the superior quality of these garments was recognized by discriminating buyers in this target market, who willing paid the price differential, vis a vis imports of lesser quality. In that year, imported copies of the firm's new line appeared significantly lower prices but with quality near parity. Sales and profit fell.

Assistance: The firm's recovery involved efforts in three related areas: 1) Further improvements in manufacturing efficiency and cost competitiveness. 2) Enhanced product differentiation to create name recognition and customer loyalty. 3) Repositioned product lines focused on market niched less vulnerable to the cheaper imports.

With the assistance of WTAAC the firm achieved: 1) Significantly improved fabric usage and production efficiencies. 2) Greater efficiency of production controls. 3) Enhanced management capability through improved automation of financial and other management information. 4) Modification of product lines and sales and

distribution efforts to establish a presence in resort markets, nationally and internationally.

Results: At the date of closing the results of the engineering assistance had been clearly reflected in profitability and improved planning techniques. On comparable sales, the firm realized a modest profit as compared to a loss in the previous year. The position impact of the market assistance is no less apparent although not yet reflected in financial reports. Commitments have been received from substantial and respected mainland US retailers for the line currently in production. Since the sales volume will be determined by the acceptance of the garments by their clientele, volume is uncertain. The price structure will, however, reflect a profit margin at any level of sales. Sales forecast contained in the Adjustment Proposal for 1991 (3,500,000 appears realistic but, for 1992 (4,000,000) somewhat understated.

Client comments with regard to WTAAC assistance include "opened our eyes", "permitted us to identify and focus", "gave a solid foundation", "provided broad perspective".

Western TAAC September 1990

TRADE ADJUSTMENT ASSISTANCE FOR FIRMS

Business: High quality electroplating for aerospace and microelectronics applications.

Location: Phoenix, AZ

Impaction: The firm was established in 1985 to provide metal finishing and plating services to the electronic parts and connector industries. Plating services include copper, tin, tin/lead and electroless nickel. The firm is certified to provide services to a wide number and variety of companies, and much new business is acquired through customer recommendations. While quality is a prime consideration in the firm's services, price and environmental considerations have become growing factors.

Import impaction in this case is primarily from low-cost Mexican and Asian sources, often as a direct result of the firm's customer electronics firms moving their entire operations off-shore and procuring those services at the new location. Another very important factor in the flight of plating services to foreign vendors is the generally lower environmental standards of other countries, which results in a very significant price advantage in favor of the foreign vendors.

Because of these factors, the firm was becoming increasingly uncompetitive. High domestic labor rates dictate higher pricing and tighter margins, while environmental concerns and related costs forced the firm to drop entire service lines while limiting production and raising prices in others. Continually tighter environmental regulations threatened to force closure of the firm.

Assistance: The focus of the firm's recovery strategy is to improve their manufacturing costs and, thereby, become more cost-competitive. This strategy includes tactics designed to lower production overhead costs and improve productivity, while maintaining state-of-the-art quality and expanding capabilities.

With the assistance of the Western TAAC, and independent consultants retained by the TAAC, the firm has made significant progress in all areas. Manufacturing overhead costs, in particular, have been significantly reduced through the

installation of a closed loop ion exchange system for water and metal reclamation. This system purifies and recycles rinse water from all plating operations, while reclaiming metals in a form that can be sold for recycling. Because this system allows the firm to isolate its plating operations from the city sewer system, it has significantly reduced water, sewerage, and toxic waste disposal costs. This system also allows the firm to expand existing services, and again offer plating service lines which had been discontinued due to their accompanying environmental problems.

This system is projected to fully pay for itself in direct cost savings within one year, and to operate indefinitely.

Results: The assistance the firm received has improved their international competitiveness dramatically, while also serving as a model of environmental sensitivity for firms with similar operations. Firm sales have not yet increased, but the firm's estimated Net Profit has increased by 50%. The projected impact of the water reclamation system alone may again double the firm's gross margin. Employment has increased by 50%, and the firm is currently bidding business from its primary customer, which will increase sales by 30% with one order. The firm can only bid for this increased business because of the additional plating capacity provided by the water reclamation system.

Western TAAC January 1992

Georgia Firm

In 1981, this manufacturer of men's and boys' bottoms changed ownership through a leveraged buy-out by two principals in the original family-owned corporation. Since that time, the company has struggled with high debt payments, restructure of operations, and liquidation of stale inventory.

The company's customer list is broad, ranging from major retail chains to numerous independent specialty clothing shops. The marketing, sales, and financial functions are managed by a dedicated family member who has limited knowledge in these areas.

During the diagnostic analysis, SETAAC constructed a contribution-to-margin model to determine the financial conditions necessary to return the company to profitability. Costs of representative styles were also examined, and SETAAC found that the company did not use a consistent pricing philosophy with regard to cost recovery and target gross margins.

A market study conducted by SETAAC recommended a new sales commission structure, additional geographical coverage, and focus on some market segments and abandonment of others. Implementing these recommendations and the new pricing policy should increase sales and profits in 1992. A consolidation of facilities, reorganization of management, and renegotiation of the debt will improve cash flow to support the new market strategy.

Georgia Firm

This firm produces medium-priced, country-style dining room furniture. It employs about 100 people and has annual sales of about $4 million.

Imports became a significant factor in the dining room furniture market in the early 1980s, penetrating the low-price segment of the market. Over time, foreign manufacturers improved style and quality and began competing directly with the firm in the medium-price segment.

After a thorough diagnostic analysis, SETAAC recommended updates in product styling, improvements in work-flow and material handling, and installation of a new finishing line. The firm and SETAAC contracted with an industry expert to implement these recommendations in 1991.

One year later, the firm has introduced a new line of furniture that has been well received in the market. The plant layout was improved to facilitate better work flow. And a plan is in place to install a new finishing line as business improves. The furniture market remains extremely slow, but the firm is managing to operate above its break-even point and is well positioned to capitalize on an economic recovery.

North Carolina Firm

This firm had virtually ceased producing its major product, carpet backing, because this field was being more and more dominated by large companies such as Exxon. The firm's other major product, food bags, was being overrun by South American imports. The company was only surviving on production of bags for the federal government but these contracts were nearing completion. The firm's owners were selling equipment and seriously contemplating liquidation.

During the Diagnostic Analysis, SETAAC determined that the firm's reliance on the government bag business was inadequate to maintain profitability. A market assessment found that the firm was over looking a huge regional market for wrapping and packaging materials for the textile industry. Cost analysis showed that these products possessed adequate margins to provide excellent profitability for the company. SETAAC then developed a business plan that called for additional market research and expansion into the wrapping materials market, market research on government bag markets, hiring and training of additional sales personnel, improvement of plant incentive systems, development of an automatic sand bag sewing machine, and development of a product costing system.

Additional research was done and the results confirmed that textile bagging and wrapping provided the best combination of volume and profitability. A national sales manager with bagging and wrapping experience was hired and sales personnel were trained in telemarketing. The contacts brought with the sales manager and the increased telemarketing follow-up gave immediate results. In addition revamping the production incentives greatly increased earnings and employment stability while reducing costs. The firm has been able to book enough business to operate at near capacity and has replaced much of the equipment sold earlier. With SETAAC assistance, the firm completed development of an automatic sand bag machine. As this machine neared completion, the Persian Gulf crisis erupted and the firm was swamped with orders for sand bags. Much of the firm's capacity was diverted fill this critical need and thus aid the war effort.

The firm's sales have improved from $4.8 million in 1988 to $13.5 million in 1991.

North Carolina Firm

The firm, a hosiery manufacturer with facilities located in two North Carolina towns, knits, dyes and finishes men's, women's , and children's socks. The firm was founded in 1947 as a partnership of three WWII veterans. Over the years, the firm existed primarily as a spot supplier to other, larger manufacturers. With increases in imports in the mid 1980's and beset with internal problems, the firm suffered severe losses in 1985 and 1986.

SETAAC initiated an extensive Diagnostic Analysis and found serious problems with product costing procedures. The firm's president had directed the new sales vice president to price goods with full overhead absorption regardless of market prices, resulting in missed sales and heavy losses. A full third of plant equipment was idle. With new pricing direction provided by SETAAC, aggressive sales efforts resulted in an immediate turn-around with operating profits of $185,000 in second half of fiscal year after a loss of $55,000 in first half of the year. In addition, SETAAC's financial analysis helped the vice president of sales engineer a leveraged buyout. After the buyout, SETAAC aided the company in implementing its business plan.

In implementing its business plan, the firm received additional technical assistance from SETAAC. This assistance focused on three specific project areas identified in the Diagnostic Analysis: development of a computerized costing system for financial and marketing use, productivity incentive system, development of computer systems to track and control production and inventory.

The firm has increased sales from $4.2 million in 1986 to $19.5 million in 1991. The firm is now engaged in a major expansion that will double production capacity.

MISSISSIPPI FIRM

This manufacturer of men's and boys' trousers had a drop in sales from $50 million to less than $20 million. The firm employs 555 people in two plants.

In recent years, the company has experienced a decline in morale and productivity, and a deterioration of labor relations. In 1987, the Amalgamated Clothing and Textile Workers Union (ACTWU) began to represent workers at both plants.

The company also faced critical issues in its marketing area. During the diagnostic, SETAAC facilitated a 3-day retreat for company managers to develop strategies for improvement.

SETAAC also examined the company's expansive customer list. Prior to SETAAC's involvement, the company's strategy was to "be all things to all people," and some sales were not providing adequate margins. Now, the company is taking a more focused approach, concentrating efforts on cultivating key accounts and purposely walking away from unprofitable business.

During implementation, SETAAC is working to increase productivity and operator earnings by installing a team system in the sewing room. Initially, ACTWU opposed this project, preferring a bundle sewing system which compensates operators through individual incentives. SETAAC resolved this problem by meeting with ACTWU representatives and explaining that the bundle system would result in a loss of 84 union jobs. SETAAC has developed a good working relationship with ACTWU's chief industrial engineer, and will continue to involve him in redesigning the sewing room.

Southwest Trade Adjustment Assistance Center

Polytex Fibers Corporation
Houston, Texas

The firm is a family owned manufacturer of woven seamless polypropylene bags, used principally for the shipment of food commodities. Between 1984 and 1987, the number of imported bags more than doubled, and by 1988 the firm's sales, production, and employment were all decreasing. A consultant was engaged to design a manufacturing management system that would improve the utilization of all company resources, increase the product quality and reduce manufacturing costs. The formulation and installation of improvements in manpower utilization, management and production reporting systems, planning, scheduling, and employee training related to the use of newly developed systems were specifically targeted. In addition, the consultant developed a bilingual, training manual that ie utilized to instruct current and new line personnel in basic skills development. The initial improvements in production control and manpower utilization allowed the company to accept and deliver on schedule sufficient orders to establish new monthly production records in the fall of 1990. Employment since certification increased by 106 individuals and sales increased 16% to over $11 million in 1991.

Southwest Trade Adjustment Assistance Center

Thrustmaster of Texas, Inc.
Houston, Texas

The firm is the sole remaining manufacturer of marine propulsion systems in the United States. Its systems are hydraulic outboard units with a wide range of main propulsion and docking applications to both work and pleasure vessels. Sales had historically been in the $1 million annual range, but due to heavy imports from Canada and Germany, employment and sales had dropped to 60% of average levels by the spring of 1991. One of the company's products was ideally suited for export, particularly to developing countries. A marketing project, which included Spanish and English versions of a sales video; eight page, four-color brochure; trade periodical advertisements; and a trade display booth, was implemented and concluded later in the year. The company estimates that its full sales in the fiscal year of completion will triple to approximately $2.6 million. Employment has increased by twelve percent, even though the full impact of export orders has not yet been realized.

LUDLOW-SAYLOR, INC.

Ludlow-Saylor, Inc., was founded in 1855 in St. Louis, Missouri. Today, all manufacturing facilities and administrative offices are located in Warrenton, Missouri. The company is in the business of manufacturing woven wire screen. The SIC code for the firm is 3496. The firm was certified eligible on October 24, 1989.

The diagnostic study identified marketing and manufacturing problems related to a new product line the Company was trying to develop.

Recommendations made by the adjustment proposal included the following:

i. Assistance in determining what equipment to purchase and training in its use,

ii. Market research to determine the industry's attitudes toward the new product,

iii. Training for sales personnel and manufacturing representatives associated with the new product, and

iv. Market research to determine the overall screen market.

Items i, ii, and iii have been successfully completed. Work continues on item iv.

	1988	1989	1990
Employment	96	90	92
Sales ($) in millions	9.5	10.0	10.4

CURTIS MACHINE COMPANY, INC.

Curtis Machine Company, Inc., located in Dodge City, Kansas, is a manufacturer of gear boxes and small transmissions. It was certified as eligible for technical assistance on November 29, 1984.

The major problems identified in the diagnostic study include low productivity and insufficient quality. This resulted in delays in meeting customer orders and high production costs.

The adjustment strategy included the implementation of an automation plan combined with a CAD/CAM project to improve productivity. Finally, the strategy called for a quality assurance project to make Curtis reach world class manufacturing standards.

Successful implementation of automation and the CAD/CAM projects has resulted in increased productivity of over 30%.

The implementation of the quality assurance project is preparing Curtis Machine to be a world class manufacturer. This, in the very near future, will allow Curtis to bid on any international order.

Following are the comparative figures for the last three years:

	1988	1989	1990	Growth
Employment	120	135	145	21%
Sales ($) in millions	5.7	7.1	8.0	40%

PRECISION CASTINGS OF MISSOURI, INC.

Precision Castings of Missouri, Inc., was founded in 1987. All of the Company's facilities are located in Jonesburg. The Company is in the business of manufacturing non-ferrous investment castings. The SIC code for this product is 3369. The firm was certified eligible on November 30, 1989.

The diagnostic study identified problems in manufacturing including quality control, productivity and pricing. Major problems were found in the firm's finances.

Recommendations made by the adjustment proposal included:

i. A study to analyze current production and administrative costs and establish an effective pricing policy;

ii. A study to improve productivity by analyzing plant layout, quality control and capacity utilization; and

iii. Assistance in financial areas such as accounts payable, accounts receivable, and inventory.

An extensive cost analysis has been completed. It successfully identified high and low profit items. It also suggested the type of items the company should look for in future contracts. Suggestions have been made concerning the poor financial health of the company; however, little progress has been made in this area, and the future prospects for the company are not bright.

	1988	1989	1990
Employment	18	16	20
Sales ($)	782,448	690,327	950,844

MISS ELAINE, INC.

Miss Elaine, Inc., founded in 1927, is based in St. Louis, Missouri, with manufacturing facilities in St. Genevieve - Missouri, Centralia - Illinois, and Bristow - Oklahoma. The Company is in the business of manufacturing and marketing women's nightwear and lingerie to SIC code 2341. The firm was certified as eligible for technical assistance on September 18, 1990.

The diagnostic study identified low productivity and bottlenecks in manufacturing as the major problems faced by Miss Elaine. This was due to an inefficient computer system which was responsible for production activity at all four locations. In addition, Miss Elaine was unable to offer EDI (Electronic Data Interchange) capability to its customers and was losing some business due to this. It was also found that Miss Elaine would not reach its full export potential due to the absence of a suitable marketing plan.

Recommendations made by the adjustment proposal included the following:

i. Assistance in establishing an effective on-line computer system to make Miss Elaine, Inc., an integrated company.

ii. Assistance to establish an effective Electronic Data Interchange (EDI) system.

iii. Marketing plan to establish new international markets.

iv. Implement modern manufacturing practices to increase productivity and throughput.

Implementation of the EDI system has been done and is in full use today. Large customers such as Dillards and Macy's are happy with this implementation since it makes it convenient for them to place their orders.

Considerable work has been done on the on-line computer system. This has resulted in marked improvements in order processing, production planning and inventory control.

Miss Elaine, Inc., is of the opinion that the implementations done so far have improved productivity by over 25%. The following figures reflect this opinion:

	1989	1990	1991
Employment	564	538	545
Sales ($) in millions	35	33	36.5

FLAT EARTH CLAY WORKS, INC.

Flat Earth Clay Works, Inc., was founded in 1976 in Wichita, Kansas. All manufacturing, administrative and marketing facilities are located in Wichita. The Company is in the business of manufacturing pottery. The SIC code for the product is 3269. The firm was certified eligible on August 10, 1990.

The diagnostic study identified low productivity and low quality as problems in the manufacturing end of the business. Product pricing and product costs were also identified as areas needing attention.

Recommendations made by the adjustment proposal included the following:

i. Establish a product pricing policy,

ii. Improve productivity and quality at the manufacturing level, and

iii. Provide training for management and supervisors.

An extensive cost analysis has been completed. It successfully identified high and low profit items, manufacturing bottlenecks and areas for quality improvement.

Management has attended training seminars at Wichita State University.

	1988	1989	1990
Employment	27	28	26
Sales ($)	695,227	665,532	563,867

JOHANSEN BROTHERS SHOE COMPANY, INC.
A Decade of Survival

Johansen Brothers Shoe Company was founded in 1876. Johansen Bros. specializes in the manufacture and marketing of women's dress shoes. The Company has a reputation for high quality, fashionable, "true" fitting dress shoes. Johansen is based in St. Louis, Missouri, with manufacturing facilities located in Arkansas in the small communities of Harrisburg and Corning. Johansen's employment has remained stable for the past several years at 190.

Johansen Bros. was first certified as eligible for Trade Adjustment Assistance in 1978. The late 70's was a period when American shoe manufacturers were beginning to succumb to import competition.

The diagnostic study and subsequent adjustment proposal written for Johansen Bros. in August 1978 requested the Department of Commerce for technical assistance in manufacturing and marketing. The adjustment plan was approved with 50% firm share - 50% government share. With the adjustment plan, was also approved a $1,000,000 TAA financial assistance loan package.

TAA Technical Assistance:

Following were the projects implemented by Johansen Bros. during the late 1970's and early 80's:

	Task	Consultant	Total Cost	Firm Share
i.	Manufacturing Integration	John L. Schwab	$90,020	$45,010
ii.	Marketing Study	Siar	5,716	2,858

i. Manufacturing Integration:

Johansen Bros. Shoe Co. is of the firm belief that the sole reason it has remained feasible and operational during the past decade was the direct outcome of the manufacturing integration project done by John L. Schwab Associates. Improvements in manufacturing productivity and costs enabled Johansen to be competitive in a market place which was inundated by imports. This project helped Johansen educate itself and change some of its earlier philosophies on multi-location facilities. This change ultimately proved to be vital in its fight for survival.

The manufacturing integration project recommended and implemented several bold steps to increase productivity. The project converted autonomous fully equipped manufacturing facilities to specialized facilities. The project recommended cutting and fitting at the Harrisburg facility with finishing and packing done at Corning. This resulted in significant increases in productivity and decreases in manufacturing costs. In addition, it helped employees become skilled in a smaller range of operations. Several new procedures which allowed Johansen to implement and sustain the recommended changes were established. These procedures and systems are in place and working well today.

ii. Marketing Study:

The changes that occurred in the footwear industry in the 1980's due to rapid increases in imports prevented Johansen from achieving all of the desired benefits. The study which dealt with the women's footwear market became obsolete very quickly due to the unusually high jumps in imports. Johansen did, however, benefit from some of its findings. This included the prediction that direct marketing/catalog sales, particularly in the footwear industry, was going to become a prominent marketing tool. In less than five years, Johansen has increased its direct marketing sales from less than 5.0% to over 25.0% (in 1991) of net sales. The most attractive feature of direct marketing is that it is the most profitable of all Johansen's sales.

TAA Financial Assistance

The financial assistance provided by the TAA program proved to be of immense help to Johansen Bros. in its subsequent implementations of strategies recommended by consultant studies as part of TAA technical assistance. The preceding sections explained how the technical assistance Johansen received, enabled it to increase its productivity, decrease manufacturing costs and stabilize its market share. It was this improved performance that permitted Johansen to payoff the $1,000,000 loan in a very efficient manner. The loan was repaid in its entirety to the government by 1987.

During the past several years, the Johansen's, who pioneered in the design and manufacture of women's dress shoes during most part of the twentieth century, have seen hundreds of their fellow shoe manufacturers disappear in the United States. For them, it has been a constant battle of survival and to that extent, have been successful for a decade and a half. During this period, two small communities in Arkansas have existed on the shoulders of this firm. For Johansen Bros., this survival in a difficult environment, represents a sense of pride and success.

Manufacturer
Alaska

Our client is a manufacturer of motor-generator sets, compressors, pumps and other equipment used in oil and gas production. Its major market has been the Alaska oil fields. It has been adversely impacted by imported systems, especially from Japan and Great Britain. Prior to TAA, annual sales were $2.4 million with 17 employees.

TAA was used to develop a computerized parts inventory system which allowed for a significant reduction in parts inventory levels while providing a higher level of service to customers when ordering replacement parts for the systems operating in the remote field locations. The second project, now in progress, involves implementation of Electronic Data Interchange (EDI) which will allow communications with customers and suppliers in a "paperless" purchasing/sales environment, thus improving accuracy and timeliness of information transfer for sales and purchasing.

The company anticipates it will enjoy higher sales and profits using the EDI system.

Lumber Mill
Alaska

Import competition and the decline of the Alaskan economy for four years had almost halved the sales of this small mill. Increasing sales was the first priority for this business! NWTAAC hired a marketing consultant to produce a marketing plan which included an analysis of market niches in Alaska and out of the state for 3/8" paneling and molding from Alaska Birch and Balsam Poplar. In addition, the consultant generated a prioritized list of interested new customers for the firm. While the new product lines were abandoned, sales of lumber has increased to over a half million dollars and employment has doubled to four. Total assistance to this firm was $12,375.

Lumber Mill
Idaho

Depressed price levels for dimensional softwood lumber, caused in large measure by the importation of vast amounts of Canadian wood, caused this large Idaho mill to post significant financial losses. The firm sought to reorganize its debt through a Chapter 11 bankruptcy.

NWTAAC assisted the firm by providing funds to hire a marketing consultant who studied the feasibility of entering the Machine Stress Rated marketplace. NWTAAC also assisted the firm by funding a consultant who improved the mill's productivity through use of new technology and production methods. Total amount of assistance to the firm was $86,250.

These funds enabled the firm to double its sales to over $24 million and maintain its workforce of 150 people.

Fishing Equipment Manufacturer
Montana

This firm is a manufacturer of fly fishing equipment. It is a family owned company that dates back to the mid-1930's. This remotely located company had been holding its market niche through its reputation for quality. As the price of imports dropped and quality improved, the marketing advantage was lost.

NWTAAC assisted in three adjustment projects totaling $43,900. The first project provided engineering assistance using advanced composite materials for a new line of fishing rods. The project included adjusting their fabrication and assembly techniques to accommodate the new high tech carbon fiber materials. The second and third projects provided marketing assistance by developing a direct mail campaign and designing a products catalog.

These efforts have resulted in a sales increase from $750,000 to over $3,000,000. They now employ 30 and have over 1,000 accounts throughout the U.S., Canada, South America, Japan and Europe.

Steel Foundry
Oregon

The Foundry operates two jobbing steel foundries in Oregon. NWTAAC assisted The Foundry in developing a computerized foundry job scheduling and tracking system, and in adopting the lost foam casting process in the foundry. Lost foam casting is somewhat similar to the lost wax process used in casting detailed sculpture or fine jewelry: a very detailed shape made of plastic foam is placed in a sand mold; as the molten metal is poured, the foam vaporizes and the metal takes on that shape. Many subsequent machining operations can be eliminated using this technique.

The Foundry has cast several products using the lost foam method. For example, the foundry has produced prototype samples of new armor panels for use on the Bradley Fighting Vehicle that are being evaluated. Production order quantities could result in a 20 percent increase in production for the company.

Prior to receiving TAA, The Foundry's sales were approximately $12 million with 161 employees. Because of current low levels of economic activity in manufacturing in general, The Foundry continues to be operating near its pre-TAA volume level ($10.4 million in sales with 135 employees). The company believes that the two projects funded by the TAA program will help assure its continuing operation and will provide a basis for increased profitability as economic activity improves.

Home Fashions
Oregon

Our client, located in Oregon, produces home fashions. In an effort to increase market share, the firm created a new division and improved their sales rep network. This has greatly increased sales. In order to produce the higher number of orders they were receiving, the firm upgraded their computer hardware. NWTAAC hired computer programmers to modify programs that track advertising loads, amounts and sales commissions. Additionally, NWTAAC hired a materials flow and systems engineer who has increased the firm's efficiencies on the production floor and set up systems that will coordinate design, manufacturing and marketing. The total amount of technical assistance to this firm is $41,900. While sales have doubled to above $6 million, profitability has increased by 10%. Employment has also increased by 100% to over 100 employees.

Aluminum Fabricator
Washington

The company operates an aluminum fabrication plant. Its primary business has been the fabrication of curtain wall sections for high-rise office buildings. Within the last three years, a 52 story building in Seattle and a 56 story building in Los Angeles were sheathed in curtain walls fabricated by it. The company was severely impacted by Korean competition. In the year prior to TAA, the company's sales were $3.2 million with 20 employees.

The TAA program assisted the company in developing a new heavy duty aluminum door system which is aimed for use in the Hawaiian market and other markets which require a door system which can withstand heavy wind and rain loads. The door design which was developed will withstand the equivalent of 200 MPH winds.

This product will allow the company to enter a very profitable niche market to supplant severely depressed sales in the high-rise building curtain wall market.

Since TAA, the company's sales have risen to over 7 million, and employment to 56.

Ceramics Manufacturer
Washington

Our client is a manufacturer of architectural clay products, primarily large planting containers. The firm has been adversely affected by imported ceramic containers, principally from Italy, China, and Mexico. Just prior to receiving TAA, it's annual sales were approximately $800,000 with 21 employees.

NWTAAC assisted the firm in developing high temperature ceramic materials to be used in Super Plastic Forming (SPF) of high strength metals, primarily for aerospace manufacturing applications. SPF is a relatively new process for forming metal parts which reduces metal waste and machining cost of high strength metals such as Titanium and Titanium-Aluminum alloys. The ceramic materials engineering consultant helped the firm develop high temperature/high strength ceramic dies which were used by a major aerospace manufacturer to produce SPF test parts.

The firm is now working with the aerospace company under a joint venture agreement to supply these high temperature dies for further prototype production of SPF parts. This technology will be used in production of a new military aircraft for which the aerospace company is a major contractor. The firm has applied for a NSF grant to further develop this technology.

While this project activity is increasing, the company's traditional business continues to be affected by import competition. As a result, current annual sales are approximately $1 million with the same level of employment.

ANATECH, INC.
Alexandria, VA

HISTORY OF THE FIRM

Anatech, Inc. is a manufacturer of ion-exchange equipment that is sold to research laboratories. Anatech reported sales of $1,345,982 in 1988 and employment levels of 14. By 1989 sales declined to $1,230,134 with employment declining to 10 as a result of import competition.

Anatech, Inc. was certified eligible for Trade Adjustment Assistance on January 12, 1990.

TRADE ADJUSTMENT ASSISTANCE

MATAAC analysis revealed that the firm required assistance in the area of marketing planning and strategic and financial planning. The firm completed an Engineering Development project by Professor John Guillory under the direction of MATAAC. The client paid a cost share of $2,500 with a government share of $7,500 toward total project cost.

As a result of this market research study, Anatech management has been able to modify existing product for new markets. A project to develop a product redesign will be launched in the second quarter of 1992 to further expand Anatech's sales and profitability.

ENTERPRISE MACHINE AND DEVELOPMENT CORPORATION
New Castle, DE

HISTORY OF THE FIRM

Enterprise Machine and Development Corporation is a manufacturer of air-jet texturing machines that are sold to fabric manufacturers. Enterprise reported sales of $1,004,028 in 1988 and employment levels of 10. By 1989 sales declined to $374,398 with employment declining to 8 as a result of import competition.

Enterprise Machine was certified eligible for Trade Adjustment Assistance on August 9, 1989.

TRADE ADJUSTMENT ASSISTANCE

MATAAC analysis revealed that the firm required assistance in the area of marketing planning and strategic and financial planning. The firm completed a $6,000 market research study conducted by Marketing Consultants and a $10,000 strategic financial plan by The Nachman Group under the direction of MATAAC. The client paid a cost share of $4,000 with a government share of $12,000 toward total project cost.

As a result of this market research study, Enterprise management has been able to redirect its sales and marketing efforts to the export market. Also, with financial stability, Enterprise has been able to utilize capital for a needed research and development project. A project to develop a marketing plan will be launched in the second quarter of 1992 to further expand Enterprise Machine's sales and profitability.

STERLING FACTORIES, INC.
Erie, PA

HISTORY OF THE FIRM

Sterling Factories, Inc. is a manufacturer of fabricated metals that are sold to the construction industry. Sterling Factories reported sales of $2,838,286 in 1988 and employment levels of 42. By 1989, sales declined to $1,956,934 with employment declining to 37 as a result of import competition.

Sterling was certified eligible for Trade Adjustment Assistance on August 23, 1989.

TRADE ADJUSTMENT ASSISTANCE

MATAAC analysis revealed that the firm required assistance in the area of market distribution, strategic planing and manufacturing productivity. To properly implement the adjustment plan, Sterling management felt that a market distribution project would have immediate impact on improving firm sales by directing the firm's effort to growth markets. The firm completed a $22,000 market distribution study conducted by Worldwide Marketing Services under the direction of MATAAC. The client paid a cost share of $9,000 with a government share of $13,000 toward the total project cost. As a result of this investment, the firm has been able to redirect sales and marketing efforts to expanded regional sales territory through the hiring of independent sales representatives.

Sterling management has now redirected its sales and marketing efforts to growth markets. Sales increased to $2,000,000. Employment was reduced during the year partly as a result of the company's implementation of new production efficiencies identified by MATAAC staff during the Adjustment Plan development process. A second project to develop a focused marketing plan will be launched in the first quarter of 1992.

ALPERIN, INC.

Scranton, PA

HISTORY OF THE FIRM

Alperin, Inc. is a manufacturer of men's and boys' trousers. Alperin reported sales of $17,719,223 in 1989 and employment levels of 622. By 1990 sales declined to $13,459,088 with employment declining to 565 as a result of import competition.

Alperin, Inc. was certified eligible for Trade Adjustment Assistance on June 4, 1990.

TRADE ADJUSTMENT ASSISTANCE

MATAAC analysis revealed that the firm required assistance in the area of market research, strategic planning and manufacturing productivity improvements. To properly implement the adjustment plan, Alperin management felt that a market research project would have the most impact on improving sales by directing the firm's effort to growth markets. The firm completed a $60,000 market research study conducted by Kurt Salmon Associates under the direction of MATAAC. The client paid a cost share of $21,000 with a government share of $39,000 toward total project cost. The firm has been able to redirect its sales and marketing efforts to a growth market.

As a result of this change, Alperin experienced a sales increase to $14,852,000 in the year ending December 31, 1991. Employment on December 31, 1991 was 595.

Alperin will continue with the implementation process in 1992.

MORGAN SHIRT COMPANY

Morgantown, WV

HISTORY OF THE FIRM

Morgan Shirt Company is a manufacturer of men's dress and casual shirts. Morgan Shirt reported sales of $4,992,000 in 1989 and employment levels of 233. By 1990 sales declined to $4,013,000 with employment declining to 216 as a result of import competition.

Morgan Shirt was certified eligible for Trade Adjustment Assistance on August 2, 1991.

TRADE ADJUSTMENT ASSISTANCE

MATAAC analysis revealed that the firm required assistance in the area of strategic and financial planning and manufacturing productivity improvements. However, the relatively weak financial condition limited the company's ability to implement these improvements. An ESOP was identified as an appropriate first step in the firm's adjustment.

The firm completed a $45,000 ESOP business plan conducted by Washington Development Capital Corporation under the direction of MATAAC. The client paid a cost-share of $22,500 with a government share of $22,500 toward total project cost. As a result of this investment, the firm has been able to develop an ESOP prospectus that will be presented to lenders for approval.

As a result of MATAAC assistance, Morgan Shirt has been able to redirect its efforts to financial planning. A project to develop a marketing plan and acquire a related business will be launched in the second quarter of 1992. In the short term the firm is secure, with meaningful impact from MATAAC's assistance expected by the end of 1992.

Great Lakes Trade Adjustment Assistance Center
School of Business Administration
The University of Michigan
506 E. Liberty
Ann Arbor, Michigan 48104-2210
(313) 998-6213

Memo to: Richard M. McLaughlin
Executive Director
NETAAC

From: Margaret M. Creger MMC
Acting Director
GLTAAC

Subject: Client Information

Date: January 27, 1992

1. Anecdotal information on GLTAAC clients:

Client firms have not been identified by name. If the information is presented in a forum where identification would be appropriate, I will be glad to contact specific firms to secure their permission prior to identification.

Company A is a leading designer and manufacturer of storage and shipping racks for automotive and non-automotive applications. Its products are portable racks for engines, pallet racks, and light duty storage racks. Recession in the automotive industry and imports from Canada were responsible for a sales decline of almost fifty percent over a four year period. At the same time, employment declined twenty-eight percent. The Adjustment Plan called for a broadened market base, development of new products, and improvements in the manufacturing operation.

Several projects have been completed, including development of software for inventory tracking and scheduling, an improved paint system and incentives to reduce paint usage, and development of an inventory and production system. A Total Quality Management system was co-funded by GLTAAC and the company, and is still underway. For the most recent fiscal year sales have increased fifty percent from the date of certification, while employment has increased by one third over the same time period.

Company B is a manufacturer of athletic apparel specializing in customized team sports apparel that includes shorts, jerseys, shirts, and warm ups. Primary customers are team coaches of high schools, universities, and private and public institutions. This companys products have been worn at Olympic,

PanAm, and South American games, but increased competition forced it to close a high volume shorts operation and consolidate its facilities. Sales declined slightly and employment dropped ten percent during the two years prior to certification.

The Adjustment Plan called for improvements in management control with delegation of some responsibilities, expansion of marketing to include a wider geographic area and targeting of overseas customers, streamlining manufacturing, and installation of an MRP II system to integrate all departments. Several technical assistance projects have been completed in this first year of implementation, and sales have increased five percent with a modest decline in employment reflecting increased production efficiency. With the reorganization of its outside sales force and expectation of additional growth in the next five years, the company is hiring a national sales manager.

Company C was a contract manufacturer of stamped and roll formed parts. With sales declines due to imports from Germany and Korea and a major customers decision to increase imports of assemblies from Korea the firm began working with GLTAAC to identify industries that could best use the company capabilities. The Adjustment Plan called for assistance in manufacturing to increase efficiency so that the company would be an effective competitor in contract manufacture and a capable supplier of complex components. The plant has been reorganized including redesign of the assembly line and improvements in material handling. A three phase project covered improvements in the production and materials planning and control system to accommodate the increasingly diverse components manufactured.

The firm recently received a multi-million dollar contract to produce components for a furniture line that had been manufactured overseas. Although employment had declined more than twenty percent over the two year period prior to certification, since implementation of the Adjustment Plan has begun sales have increased more than seventy percent and employment is more than double. Company management reports that "Sales are ahead of any previous year, and we are in the best operational shape ever."

Company D is a large steel manufacturer located in a very economically depressed area. Sales declined three percent in the year prior to certification. Although extensive technical assistance was planned (a total company and government expenditure of $1.2 million) program interruptions and funding difficulties coupled with operating and cash flow constraints have delayed implementation. Significant outside investment to modernize and install a new 42" mill has enabled the company to offer leading alloy and carbon bar technology to offshore automotive transplants.

With a more secure footing for the Trade Adjustment Assistance Program, the company has begun to implement the multicrafting, statistical process control training, and facilities planning projects intended to improve it's competitive position. Several training programs have been completed. An employee benefits analysis is in process. While sales have increased ten percent since certification - a major accomplishment in the depressed steel industry - employment has continued to decline as improvements in productivity have reduced man hours required per ton of steel production.

Company E is a high volume manufacturer of small sized screw machine and cold headed parts made of steel and brass. With no proprietary products, the firm manufactures to customer order. A small customer base, primarily in the automotive industry, has made the company vulnerable to economic downturns. With loss of sales to foreign suppliers, the company requested that GLTAAC complete a company analysis.

An important focus of the strategy was to broaden the customer base and the industries served, while increasing the efficiency of the plant, marketing, and administrative functions. While improvements in the information systems are still in progress, better communication of the company capabilities has increased the customer base. Increased manufacturing efficiency has resulted in longer production runs on fewer machines, and addition of a second shift operation. Only partially through implementation, sales have increased sixteen percent in the last year with employment up almost thirty percent.

Company F is a manufacturer of brass faucets both for sale under the company name and as a supplier of other faucet manufacturers. Sales declined more than twenty percent and employment was down twenty percent in the two years prior to certification as customers, both retail and wholesale, turned to imported products. The Adjustment Plan called for a concentration on manufacturing systems to reduce the high defect rate, to improve the technical skills of employees, and to generally increase manufacturing efficiency. Improvements in these areas combined with improved scheduling and inventory tracking were recommended to reduce the high investment in inventory. These interrelated activities were expected to increase on time, complete, shipments to customers.

A comprehensive manufacturing analysis and implementation of improvements has been completed with a significant increase in on time shipments. With an investment in new equipment that reduces the lead levels in the sand castings used for brass faucets, another project is under way to test the lead leaching characteristics of the company faucets. Since certification sales and employment have increased ten percent.

Company X is a 32 year old leading designer, manufacturer and marketer of customized case goods. The majority of the products are soft-sided and semi-

rigid cases made of vinyl, canvas, nylon, etc. such as computer cases and brief cases. The company incurred substantial losses as a result of significantly lower volume due to import competition from Southeast Asia (Taiwan). Sales dropped by 23 percent in one year alone, and employment went down by 18 percent. Because the company did not know its individual job costs and lacked data processing systems, the Adjustment Plan recommended that a cost system and other MRP II systems modules be installed. In addition, the plan recommended a market study and cost reduction program be implemented.

The initial project for a cost accounting system was undertaken by one of the large accounting firms. The system was installed on a manual basis and was later converted to an automated system. A key element of this project was the development and design of effective floor reporting systems in order to improve the accuracy of the data reported from the plant floor. The company was recently sold to a New York firm that also manufactures soft goods that complement the company product lines. The sales for the company are double and employment is up by 35 percent. (not included in summary statistics)

2. The number of clients in implementation assistance, by year:

1988	10 [1]
1989	12
1990	14
1991	10

1. Data for 1988 - 1990 includes one company that is not included in summary statistics. Firm entered bankruptcy in early 1990, was purchased, and has implemented the Adjustment Plan. Because not all liabilities were assumed, firm cannot be considered successor firm and no longer qualifies for the program.

3. Summary statistics on employment and sales:

See attachment.

1. A total of 26 firms have completed at least one Technical Assistance project since January 1, 1988. One firm is not included in the summary statistics because it is no longer eligible for the program (see "Number of clients in implementation by year"). Three firms have not submitted complete data. The summary statistics include a total of 22 firms.

2. One exceptionally large firm accounts for more than half of employment and sales at every interval. A better reflection of GLTAAC accomplishments excludes this firm from the summary statistics.

Chairman GIBBONS. Thank you all very much.

Let's go to the next panel of witnesses, because the bells are beginning to ring around here right now: Mr. Angelillo, Mr. Savage, Mr. King, Mr. Jacobs, Mr. Donahue, and Mr. Purgert.

STATEMENT OF STEPHEN P. ANGELILLO, PRESIDENT, FLORIDA MEDICAL INDUSTRIES

Mr. ANGELILLO. I am Stephen Angelillo, president of Florida Medical Industries and I am the third generation making clinical fever thermometers in the United States. Fever thermometers is our core business. I am going to talk about the time from 1988 to 1991.

In 1988, Florida Medical Industries was one of the two significant domestic producers of clinical fever thermometers. The company also produced other products such as disposable hot and cold chemical packs. The company's core business, fever thermometers, has been primarily marketed to hospital supply distributors and to a lesser extent, the retail trade. We faced increasing market share and pricing pressures from major U.S. Competitors who had moved their production offshore to Brazil and India. Florida Medical also struggled with a high debt load cased by my father's death and my subsequent buyout of the company. With the company in turmoil, we turned to the Southeastern Trade Adjustment Assistance Center, SETAAC, at Georgia Tech to help us evaluate our company's strategies and prospects.

During SETAAC's Diagnostic Analysis, it was discovered that our major sales segment, medical supply distributors, were very price sensitive and increasingly susceptible to the cutrate pricing strategies offered by importers. A major opportunity evolved as the firm's only domestic competitor contacted the company about selling out.

This competitor had a greatly needed retail market presence. The sale was consummated and the competitor's physical assets were moved to the firm's plant. At this point, additional problems appeared. With increased debt service, the firm's fixed costs soared. Projected retail sales failed to materialize. By the end of the year, we had suffered a tremendous loss.

SETAAC made four major recommendations:

Perform a market study of the direction of the clinical thermometer market.

Two, hire a sales manager with experience in retail sales of consumer medical products.

Three, revise product costing and financial reporting procedures to recognize fixed and variable costs.

Four, initiate internal organizational changes to improve productivity and reduce costs through supervisory development and implementation of a plant-wide incentive system.

During the next 2 years, Florida Medical implemented these strategies. Research showed that the retail market for glass thermometers was stable with pricing that allowed good profit margins. With the hiring of an experienced national sales manager, retail thermometer sales have grown to be our major business segment.

Although thermometer sales to medical distributors continue to decline with import pressure, the firm has added direct salesmen

in this arena and has significantly increased sales of hot and cold packs and other medical products, partially offsetting the loss.

Revised costing procedures have shown that we can often be competitive in market niches previously neglected, and we have aggressively moved into these niches. With a better understanding of our costs, the firm has improved its budgeting and forecasting and has used the process to justify sales force additions and new sales initiatives.

The firm has implemented a plant-wide incentive program that has improved employee earnings while reducing labor costs. During the first 2 years of the program, productivity improved 20 percent and the company saved $290,000 after paying productivity bonuses of $255,000. With the successful implementation of these strategies, Florida Medical's sales nearly doubled between 1988 and 1991 with significantly improved profits.

Despite these successes, we continue to battle imports. During 1991, Chinese thermometers entered the picture. Not burdened with concerns for the environment and worker's safety and health, the Chinese deliver questionable quality at low-ball prices, even undercutting the Indians. Our company is once again being hammered. During the past year, we have lost another $1.5 million in sales to imports. Ponds India, Ltd., distributed by Unilever, is selling thermometers to what was our major customer, Baxter Medical, at prices below our price of 22 years ago.

These are trying times for our company. By grace, hard work, and the guidance we received from the Trade Adjustment Assistance Program, the company will survive, but what about our former employees. At Florida Medical, our employment is now at 130, down from 240 just 2 years ago.

Where do you think the 110 jobs went? I would be glad to answer any questions that you might have and expand on any of this.

Chairman GIBBONS. Thank you, Mr. Angelillo. We will go to the rest of the panel and back to you.

[The prepared statement follows:]

TESTIMONY OF STEPHEN P. ANGELILLO
FLORIDA MEDICAL INDUSTRIES

In 1988, Florida Medical Industries was one of two significant domestic producers of clinical (fever) thermometers. The company also produced other products such as disposable hot and cold chemical packs. The company's core business, fever thermometers, has been primarily marketed to hospital supply distributors and to a lesser extent, the retail trade. We faced increasing market share and pricing pressures from major U.S. competitors who had moved their production off-shore to Brazil and India. Florida Medical also struggled with a high debt load cased by my father's death and my subsequent buy-out of the company. With the company in turmoil, we turned to the Southeastern Trade Adjustment Assistance Center (SETAAC) at Georgia Tech to help us evaluate our company's strategies and prospects.

During SETAAC's Diagnostic Analysis, it was discovered that our major sales segment, medical supply distributors, were very price sensitive and increasingly susceptible to the cut-rate pricing strategies offered by importers. A major opportunity evolved as the firm's only domestic competitor contacted the company about selling out. This competitor had a greatly needed retail market presence. The sale was consummated and the competitor's physical assets were moved to the firm's plant. At this point, additional problems appeared. With increased debt service, the firm's fixed costs soared. Projected retail sales failed to materialize. By the end of the year, we had suffered a tremendous loss. SETAAC made four major recommendations:

- perform a market study of the direction of the clinical thermometer market,
- hire a sales manager with experience in retail sales of consumer medical products,
- revise product costing and financial reporting procedures to recognize fixed and variable costs,
- initiate internal organizational changes to improve productivity and reduce costs through supervisory development and implementation of a plant-wide incentive system.

During the next two years, Florida Medical implemented these strategies. Research showed that the retail market for glass thermometers was stable with pricing that allowed good profit margins. With the hiring of an experienced national sales manager, retail thermometer sales have grown to be our major business segment. Although thermometer sales to medical distributors continue to declined with import pressure, the firm has added direct salesmen in this arena and has significantly increased sales of hot and cold packs and other medical products, partially offsetting the loss. Revised costing procedures have shown that we can often be competitive in market niches previously neglected, and we have aggressively moved into these niches. With a better understanding of our costs, the firm has improved its budgeting and forecasting and has used the process to justify sales force additions and new sales initiatives. The firm has implemented a plant-wide incentive program that has improved employee earnings while reducing labor costs. During the first two years of the program, productivity improved 20 percent and the company saved $290,000 after paying productivity bonuses of $255,000. With the successful implementation of these strategies, Florida Medical's sales nearly doubled between 1988 and 1991 with significantly improved profits.

Despite these successes, we continue to battle imports. During 1991, Chinese thermometers entered the picture. Not burdened with concerns for the environment and worker's safety and health, the Chinese deliver questionable quality at low-ball prices, even undercutting the Indians. Our company is once again being hammered. During the past year, we have lost another $1.5 million in sales to imports. Ponds India Ltd., distributed by Unilever, is selling thermometers to what was our major customer, Baxter Medical, at prices below our price of 22 years ago!

These are trying times for our company. By grace, hard work, and the guidance we received from the Trade Adjustment Assistance Program, the company will survive; but, what about our former employees. At Florida Medical our employment is now at 130, down from 240 just two years ago; guess where those 110 jobs went!

Chairman GIBBONS. Our next witnesses is Mr. Savage.

STATEMENT OF WILLIAM E. SAVAGE, OWNER/PRESIDENT, TOMPKINS BROTHERS COMPANY, INC., SYRACUSE, N.Y.

Mr. SAVAGE. Thank you.

I want to acknowledge the Hon. Sam Gibbons, Chairman and other Members of the Subcommittee on Trade for this opportunity to offer testimony on the Trade Adjustment Assistance Program. From firsthand knowledge, I can sincerely state that to allow this program to be eliminated would be a very grave mistake. The TAAP is an important program for small businesses that have nowhere else to turn for assistance in combatting the effects of foreign competition in the marketplace.

I am the owner and president of the Tompkins Brothers Co., a firm founded in 1846. I will just briefly mention my background. I held several executive positions at Carrier Corp., the air-conditioning company prior to my purchase of Tompkins Brothers. My undergraduate degree is in mechanical engineering from Clarkson University and my MBA with a major in finance is from the University of Chicago.

I serve on the board of directors of several small and medium-sized firms in central New York. I have worked on such projects as Minuteman, Apollo, Marine Tactical Data Systems and Special Developments for the Engineering and Development Laboratory at Fort Belvoir.

Tompkins is a manufacturer of circular knitting machines primarily to domestic and foreign apparel manufacturers. We also have niche markets in medical, athletic and industrial products. When I purchased the firm in 1976, sales were sluggish, our product was outmoded and the manufacturing process was out of step with modern technique.

Competition from at least a dozen European and Japanese manufacturers threatened the ongoing nature of our operations. As a new owner, I focused on projects that were designed to turn around the business. New managers were hired, modern management practices were introduced and export sales became the marketing thrust. These efforts proved successful in breaking the declining business trends.

The operations became stable, but the basic threats to the business didn't go away. Foreign competitors were producing better machines than any of the handful of manufacturers remaining in business in the United States. It was at this point that the trade adjustment assistance center of New York became a valuable partner to my company.

The staff of the trade assistance center completed a review of our entire operation to analyze the strengths, weaknesses, opportunities and threats.

The first Tompkins SWOT team was formed. I know of no other program that can deliver this type of face-to-face professional assistance and guidance. Working together we formulated a business strategy to address both the long- and the short-term needs of the firm.

In the short term, it was determined to improve and upgrade the marketing function and to enhance the current product with more

modern electronic controls. Increased sales and further penetration into foreign markets were the direct results of the short-term plan.

Successful sales of Tompkins machinery have taken place in Canada, the United Kingdom, France, Greece, Spain, Germany, Italy, Egypt, Israel, Mexico, Brazil, Chile, Japan, Taiwan and the People's Republic of China.

The successful implementation of the short-term strategy gave us the time to embark on the long-term needs of Tompkins Brothers. The TAAC and myself understood that to become a long-term survivor in the marketplace, we would have to deal with product attributes of the current machinery.

The fact of the matter was the machinery, even with the new controls and electronics, was not up to the standards set by foreign competitors. This is why TAAC developed a plan to design and produce a competitive circular knitting machine.

I must add we studied 12 new product possibilities before we selected the current line we decided to design. We are currently nearing the end of this project and the results are no less than a complete survival of the firm.

The new product line, and you will see a photograph on the left designated the Tompkins Model R Rib machine. The new product line truly is state-of-the-art type machinery and we now compete with any product available in the world.

This new product developed with TAAC assistance is 90 percent of our current sales dollars. Completion of this project would not have been feasible or possible without the cost-shared technical assistance offered through the TAAP.

As a small business owner with limited resources in both personnel and capital, this type of major new product development would not have been practical, but unlike other assistance programs which give either money or advice, the TAAP offered both in a format that is highly successful.

I doubt if Tompkins Brothers would today be in business offering expanding employment in an area, central New York, that is already suffering from rising unemployment if it were not for this very valuable program.

I have been in business for many years and a small business owner since 1976, and I can assure you that trade adjustment assistance works. Tompkins Brothers is competitive through the efforts of this program. The TAAP is one of a kind. There is no other program that works as closely or efficiently with business owners to improve the competitive position and retain and increase employment levels.

It serves as an excellent example of public-private partnership that works for the enrichment of each party involved. By sharing talents and funding, manufacturers are made more competitive and the basis for continued employment and new employment is established. Instead of facing elimination, the Trade Adjustment Assistance Program should be given additional funding levels to assist even a larger segments of the domestic manufacturing base.

I am sure that my own personal experience with the program has been repeated over and over with other manufacturers located throughout the United States. Trade adjustment assistance for

firms translates into jobs being created and a more competitive domestic manufacturing sector.

I fully support reauthorization of this one of a kind program. I know some of the firms that were directly mentioned here earlier, those firms in North Carolina, by receiving assistance through the TAAP now are stronger firms and they are becoming Tompkins Brothers customers. That is a lot of synergism which you certainly can't point to with other programs mentioned through SBA.

I would be pleased to answer any questions that you might have. I have also brought some general information to introduce you to our new line of machines that we have developed under the TAAP program if you would be interested in seeing them. We just attended a large exhibition in Greenville, S.C. called the American Textile Machinery Exhibition. At that exhibition— and there were competitors from all the countries that I have mentioned: Fukahara from Japan, Mayer from Germany, Orizio from Italy —there were none that had a rib machine as we developed under this TAAP project that had higher production or higher quality, and we are going to give all of those guys a run for their money like they have never seen before.

We would not have been able to do this without the TAAP assistance. Thank you for the opportunity to speak to you today and I will be glad to answer any questions that you may have.

Chairman GIBBONS. Thank you sir.

[The prepared statement follows:]

TESTIMONY

TOMPKINS BROTHERS COMPANY, INC.

WILLIAM E. SAVAGE, OWNER/PRESIDENT

I want to acknowledge the Honorable Sam M. Gibbons, Chairman, and the other members of the subcommittee on Trade for this opportunity to offer testimony on the Trade Adjustment Assistance Program (TAAP). From first hand knowledge I can sincerely state that to allow this program to be eliminated would be a very grave mistake. The TAAP is an important program for small business that have no where else to turn for assistance in combating the effects of foreign competition in the marketplace.

I am the owner and President of Tompkins Brothers Company, Inc., a firm founded in 1846. We manufacturer and market circular knitting machines to domestic and foreign apparel manufacturers. When I purchased the firm in 1976, sales were sluggish, our product was outmoded and the manufacturing process was out of step with modern techniques. Competition from a least a dozen European and Japanese manufacturers threatened the ongoing nature of our operations.

As a new owner I focused on projects that were designed to turnaround the business. New managers were hired, modern management practices were introduced and export sales became the marketing thrust. These efforts proved successful in breaking the declining business trends. The operations became stable but the basic threats to the business did not go away. Foreign competitors were producing a better machine than any of the handful of manufacturers remaining in business in the United States.

It was at this point the Trade Adjustment Assistance Center of New York (TAAC) became a valuable partner to my company. The staff of the Trade Adjustment Assistance Center completed a review of our entire operation to analyze the strengths, weaknesses and opportunities. I know of no other program that can deliver this type of face to face professional assistance and guidance. Working together we formulated a business strategy to address both the long and short-term needs of the firm. In the short-term, it was determined to improve and upgrade the marketing function and to enhance the current product with more modern electronic controls. Increased sales and further penetration in foreign markets were the direct result of the short-term plan. Successful sales of Tompkins machinery have taken place in Canada, United Kingdom, France, Greece, Spain, Germany, Italy, Egypt, Israel, Mexico, Brazil, Chile, Japan, Taiwan and the Peoples Republic of China. The successful implementation of the short-term strategy gave us the time to embark on the long-term needs of Tompkins Brothers. The TAAC and myself understood that to become a long-term survivor in the marketplace we would have to deal with product attributes of the current machinery. The fact of the matter was, the machinery, even with new controls and electronics was not up to the standards set by foreign competitors. This is why the TAAC developed a plan to design and produce a competitive circular knitting machine.

We are currently nearing the end of this project and the results are no less than the complete survival of the firm. This new product, which is the state-of-the-art for this type of machinery and will compete with any product available is the basis for over 90 percent of our sales dollars. Completion of this project would not have been feasible or possible without the cost-shared technical assistance offered through the TAAP. As a small business owner with limited resources in both personnel and capital this type of major new product development would not be practical. But unlike other assistance programs which give either money or advice the TAAP offered both in a format that is highly successful. I doubt if Tompkins Brothers would today be in business, offering employment in an area already suffering from rising unemployment if it were not for this very valuable program.

I have been in business for many years and a small business owner since 1976 and I can assure you that Trade Adjustment Assistance works. Tompkins Brothers is competitive through the efforts of this program. The TAAP is one of a kind, there is no other program that works as closely or efficiently with business owners to improve the competitive position and retain and increase employment levels. It serves as an excellent example of a public-private partnership that works to the enrichment of each party involved. By sharing talents and funding, manufacturers are made more competitive and the basis for continued employment and new employment is established.

Instead of facing elimination, The Trade Adjustment Assistance Program should be given additional funding levels to assist even a larger segment of the domestic manufacturing base.

I am sure that my own personal experience with the program has been repeated over and over with other manufacturers located throughout the United States. Trade Adjustment Assistance for firms translates into jobs retained and created and a more competitive domestic manufacturing sector. I fully support reauthorization of this one of a kind government program.

Chairman GIBBONS. Let's go next to Mr. Donahue.

STATEMENT OF PATRIC M. DONAHUE, VICE PRESIDENT/CHIEF FINANCIAL OFFICER, CHAMPION TECHNOLOGIES, INC., FRANKLIN PARK, ILL.

Mr. DONAHUE. I am Patric Donahue, vice president and chief financial officer of Champion Technologies, Inc., located in Franklin Park, Ill. Champion is a $13 million manufacturer of crystal oscillators, the electronic components used in a variety of computer, telecommunication, and instrumentation applications.

The company was formed in December 1988 as a management buyout of the Motorola OEM Components Division. The underlying premise for the company was to Provide highly engineered products, high levels of customer service and perform to world-class quality standards.

Toward these goals, CTI consolidated all of its manufacturing operations into Franklin Park by closing down operations in Taiwan and Manila, Philippines. Through these actions, over 100 high paying jobs were saved and an additional 100 jobs were created for varying lengths of time. Since 1988, we have invested over $1 million to consolidate these manufacturing operations and currently employ 130 full-time people with our direct labor personnel earning an average wage of $13 an hour.

Since the buyout in 1988, sales of the business have fallen from 37 to $13 million. For the most part, that sales decline has been picked up by foreign manufacturers.

We sell, domestically, 60 percent of our output, and internationally, 40 percent. Our customer base includes Apple; Northern Telecom in Canada and the United States; Motorola; Hewlett Packard; Alcatel in France, Belgium, and Italy, LM Ericsson in Sweden and Norway and Italtel in Italy.

CTI's primary goal is to continue to strategically shift toward designing and manufacturing highly differentiated, highly engineered RF products. We are investing in products which exhibit leadership and proven technologies and are more evolutionary as opposed to revolutionary. We are not doing genetic engineering.

It is critical that we establish these new products in the marketplace as soon as possible so as not to miss out on current market opportunities. The coming together of voice, data and video in what is being called multimedia, presents our company with tremendous opportunities and technical challenges. This will be a very competitive field, requiring constant technological advances.

The U.S. Oscillator industry is highly competitive, made up of many companies, including both domestic and foreign producers.

Generally, foreign producers cater to the low-end markets while U.S. producers design products for higher precision industry. The low-end market, geared to the computer industry, has been saturated with foreign competition to the point that U.S. manufacturers have been forced out. Those that have survived are brokering foreign products or are private labeling them. U.S. manufacturers have moved into custom high-end products where oscillator designs call for a closer interface between the customer and the manufacturer, thereby giving an advantage to U.S. based firms.

However, there is an established trend to incorporate more and more functions into the actual integrated circuits. That will cause more pressure on the low-end oscillator manufacturers as their demand decreases and they will move toward higher end clock oscillators and reference oscillators. This increasing competition is a major challenge to us and other U.S. manufacturers.

CTI has three programs approved for cost sharing through the Trade Adjustment Assistance Program. These programs are considered critical to our establishing ourselves in a market niche that is both growing and defensible.

ISO 9000. In order to retain our European market base and further expand our domestic base, the company will need to obtain ISO 9000 Quality System certification. The company will need to utilize a quality consultant to ensure that our newly developed Quality System will comply with ISO 9001 requirements.

Our European sales are almost one-third of our total sales of $13 million and actually growing more quickly than our domestic sales.

Quartz crystal technology. It will be necessary to utilize a consultant experienced in quartz technology to assist in the acquisition and evaluation of alternative sources of specialized quartz crystals. The shift to more highly engineered technologically advanced reference oscillators will demand greater precision from the crystal. Outside consulting will make CTI much more effective.

Integrated Circuit Technology. The company will need the assistance of a consultant experienced in Integrated Circuit design to serve as a project leader during the development of IC chips for surface mounted products. This project is estimated to cost $60,000.

Advancing technology has put more and more functions onto the IC instead of requiring additional component parts. This provides for the miniaturization of both the oscillator and the products where the oscillator is used. Outside consulting assistance will certainly speed our efforts.

Beyond these projects, CTI has many other areas where investment is required. The Capital Budget for production and test equipment is quite significant and the facility has quite a bit of upgrading.

The TAA program is not a subsidy as some may contend, but rather a focused investment in American jobs. We at CTI need to invest in the three programs identified and the TAA cost sharing will make it possible for us to do this on a timely basis.

Thank you.

[The prepared statement follows:]

TESTIMONY OF

PATRIC M. DONAHUE

TO THE

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

My name is Patric M Donahue, VP/Chief Financial Officer of Champion Technologies, Inc., located in Franklin Park, Cook County, Illinois

I am providing this testimony as the designated representative of Champion Technologies, Inc., a business that just now is beginning to participate in the Trade Adjustment Assistance Program It comes as a complete surprise to me that the Trade Adjustment Assistance Program has been proposed for elimination in the Administration's fiscal 1994 budget. This would appear to run contrary to the President's stated goals of reestablishing the U S economy through job creation and business expansion.

Champion Technologies, Inc. (CTI) is a $13,000,000 manufacturer of crystal oscillators, electronic components that are used in a variety of computer, telecommunication and instrumentation applications Oscillators combine hybrid microelectronic circuit technology and quartz crystal technology to provide for frequency control.

CTI was formed in December 1988 as a management buyout of the Motorola OEM Components Division. The underlying premise for the company was to provide highly engineered products, high levels of customer service and perform to world-class quality standards. Towards those goals, CTI consolidated all of its manufacturing operations into its Franklin Park, Illinois facility by closing down operations in Taiwan and Manila, Philippines Through these actions, over 100 high paying jobs were saved and an additional 100 jobs were created for varying lengths of time. Since 1988, CTI has invested over $1,000,000 to consolidate these manufacturing operations CTI currently employs 130 full-time people, with the direct labor personnel earning an average wage (including benefits) of $13.00 per hour

The repatriation of manufacturing operations was very costly and the business did suffer from the many associated disruptions We do, however, feel it was the right thing to do and we are now much better situated to address current market conditions and opportunities.

Since the buyout in 1988, sales of the business have fallen from $37,000,000 to the current level of $13,000,000 For the most part, the sales decline has been picked up by foreign manufacturers

CTI sells both domestically (60%) and internationally (40%), with a customer base including Apple Computer, Northern Telecom (Canada and U S), Motorola, Hewlett Packard, AT&T, Alcatel (France, Belgium and Italy), LM Ericsson (Sweden and Norway) and Italtel (Italy)

CTI's primary goal is to continue to strategically shift toward designing and manufacturing highly differentiated, highly engineered RF products CTI is investing in products which exhibit leadership and proven technologies, and are more "evolutionary" versus revolutionary

CTI will focus on those markets that require more sophisticated oscillator products such as the communications and telecommunications industries Efforts will not be made to

serve any markets where CTI either does not have or cannot develop some competitive advantage

It is critical that CTI establish these new products in the marketplace as soon as possible so as not to miss out on current market opportunities.

The coming together of voice, data and video in what is being called "multimedia" presents CTI with both tremendous opportunities and technological challenges. This will be a very competitive field, requiring constant technology advances.

The U.S oscillator industry is highly competitive, made up of many companies, including domestic and foreign producers

Generally, foreign producers cater to the low-end markets while U.S. producers design products for the high precision user The low-end market, geared to the computer industry, has been saturated with foreign competition to the point that U.S. manufacturers have been forced out. Those that have survived are brokering foreign products or are private labeling U S manufacturers (like CTI) have moved into custom high-end products where oscillator designs call for close interface with customers, thereby giving an advantage to U.S. based firms.

However, with the established trend to incorporate more and more functions into integrated circuits, there will be even more pressure on low-end oscillator manufacturers as their volumes decrease, from reduced demand, to move toward higher end clock oscillators and reference oscillators This increasing competition is a major challenge to CTI and other U S manufacturers.

CTI has three programs approved for cost sharing through the Trade Adjustment Assistance Program. These programs are considered critical to CTI's establishing itself in a market niche that is both growing and defensible

ISO 9000

In order to retain our European market base and further expand our domestic base, the company will need to obtain ISO 9000 Quality System certification. The company will need to utilize a quality consultant to ensure that our newly developed Quality System will comply with ISO 9001 requirements This assistance will cost $20,000

It will also be necessary to contract with a Quality Systems Registrar to confirm compliance with the requirements of ISO Standards. This assessment will cost $20,000

CTI's European sales, almost 1/3 of total sales, will be in jeopardy without ISO 9000 certification

Quartz Crystal Technology

It will be necessary to utilize a consultant experienced in Quartz Technology to assist in the acquisition and evaluation of alternative sources of specialized quartz crystals required for high frequency applications. This effort will cost $50,000

As previously noted, the shift to more highly engineered technologically advanced reference oscillators will demand greater precision from the crystal Outside consulting will make CTI much more effective

Integrated Circuit Technology

The company will need the assistance of a consultant experienced in Integrated Circuit (IC) design to serve as a Project Leader during the development of IC chips for surface mounted products This project is estimated to cost $60,000

Advancing technology has put more and more functions onto the IC instead of requiring additional component parts This provides for the miniaturization of both the oscillator and the products where the oscillator is used Outside consulting assistance will certainly speed the company's efforts

Beyond these projects, CTI has many other areas where investment is required The Capital Budget for production and test equipment is significant and the facility needs upgrading.

The company plans to utilize its own funds to obtain the services of an engineering consultant to develop a more efficient layout, utilizing manufacturing cells where applicable This consolidation will enable the company to sublet approximately 50% of the space currently being rented Better use of the facility will benefit the company by making production more efficient and improving productivity

The current Administration proposal eliminates TAA, the only federal program which assists small manufacturing firms by providing in-depth, long-term assistance which integrates all areas of the business into a strategic plan designed to improve a firm's competitiveness

In summary, the Trade Adjustment Assistance Program for firms is needed now more that ever We know that the most citizens benefit from free trade, but assistance is needed for its victims Imports continue to rise, manufacturing jobs continue to erode, and small and medium-sized manufacturers experience the increasing struggle to compete The nation's economic health may rise or fall in direct proportion to the health of our small and medium-sized manufacturers The Trade Adjustment Assistance Program for firm is a very low-cost and effective way for the federal government to share the investment these manufacturers must make to remain competitive The TAA program is not a subsidy as some may contend, but rather an investment in American jobs We at CTI need to invest in the three programs identified and the TAA cost sharing will make it possible to do this on as timely a basis as possible

Chairman GIBBONS. Mr. Donahue, and the rest of the panel, we are going to have to suspend while we vote and we will be right back. I didn't mean to pass you over Mr. Jacobs, but I was adjusting my glasses and skipped you there. We will come back to you.

Mr. JACOBS. Thank you, sir.

[Recess.]

Mr. COYNE [presiding]. Mr. Donahue, do you want to proceed? We will continue with the hearing until the chairman returns.

Mr. DONAHUE. I was finished with my testimony.

Mr. COYNE. Well, the next person would be Mr. Jacobs.

STATEMENT OF JAY JACOBS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ADD INTERIOR SYSTEMS, INC., LOS ANGELES, CALIF.

Mr. JACOBS. Mr. Chairman and members of the subcommittee, thank you for this opportunity to provide testimony today. My name is Jay Jacobs, and I am president and CEO of Add Interior Systems, Inc., a Los Angeles, California based company which designs and manufactures upholstered institutional seating primarily for the health care industry. We market and sell our products to hospitals and long-term care facilities nationally.

I am here today to discuss a Federal program that has been a key factor in our ability to regain a competitive advantage against increasing imports.

Add Interior Systems, founded in 1976, established its market position based upon well engineered, high quality products. Our products were valued for their therapeutic benefits, ergonomic features, combined with eye catching design. By 1988, we had grown to 62 employees, but in 1989, we experienced fierce competition from a Canadian firm in two of our most profitable product lines.

We lost over $750,000 in potential sales, had to reduce our work force by 16 percent, and became unprofitable for the first time in the firm's history. We had never had to rely on outside help in solving our problems and did not really know how to go about finding or using an outside specialist.

In October of 1989, we applied for and were certified to participate in the Trade Adjustment Assistance for Firms program. We requested assistance from the Western Trade Adjustment Assistance Center located at the University of Southern California. The western TAAC staff assisted our management in analyzing all areas of our business, developed a business recovery plan that addressed our major strengths and weaknesses and assisted us in implementing our recovery strategies over a 2-year period.

After our plan was approved by the Department of Commerce, Western TAAC assisted us in identifying and selecting outside industry specialists to assist us in implementing the identified projects. Since our firm had little previous experience with outside consultants, Western TAAC's assistance in referring consultants qualified by knowledge and experience who understood the scope of work and who could provide Add with the necessary assistance, set the foundation for our subsequent success.

Consistent with our recovery plan, we focused on three areas crucial to our survival: Marketing and Sales; Manufacturing Processes; and MIS.

The Marketing and Sales consultants identified a number of areas requiring attention and assisted in the necessary corrective actions. These included: Narrowing our market focus; modifying our marketing position; streamlining the product line to enhance company responsiveness; and enhancement of distribution and sales representation networks. The implementation of these programs have resulted in strong, continuing sales growth, attainment of our targeted marketing position, better customer responsiveness, and most importantly, profitability.

Within the Manufacturing Process Area, we have been able to significantly improve our performance. As one example, in our Upholstery Department, a consultant assisted us in completely redesigning our production layout, significantly upgrading our cutting operation, recommended new equipment which we purchased and designed, and implemented an employee incentive program.

The result has been an increase in employee morale and unification of worker/management efforts. As a result of the impact on our operations in 1991, this department operated at 35 percent of standards. Today we are operating 105 percent of standards with employees sharing through the incentive program in our increased profitability.

TAAP assistance enabled us to modify our MIS and streamline our order entry process, which would be a major bottleneck in our sales process. The payback has been improved employee effectiveness.

These projects represented a considerable commitment on our part in terms of both dollars and management time. The total cost of this assistance, which was implemented over a 2-year period, was $139,780 of which we paid 50 percent.

As a direct result of this assistance, our sales have increased over 100 percent between 1989 and 1992. Our employment has increased for a low of 52 to 73 employees today. We forecast that next year our sales will continue to increase at an aggressive rate as will profitability.

We believe that the Trade Adjustment Assistance for Firms program is in keeping with the President's stated goals to reestablish the American economy through job creation and business expansion. We had looked for assistance from other Federal and State programs, such as SBDC's and SBA, but found TAAP was the only program specifically designed to assist manufacturing firms like ours to improve their competitiveness.

Mr. Chairman, based upon Add Interior System's experience with the Trade Adjustment Assistance for Firms program, the question before us today shouldn't be regarding reauthorization the program, but rather, how do we expand it so that many more firms can take advantage of this vital and valuable assistance.

Thank you for this opportunity to testify on behalf of this program, and I hope that you will seriously consider reauthorizing the Trade Adjustment Assistance Program.

[The prepared statement follows:]

TESTIMONY OF

JAY JACOBS

TO THE

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

Mr. Chairman and members of the subcommittee, I thank you for this opportunity to provide testimony to your subcommittee. My name is Jay Jacobs and I am President and CEO of Add Interior Systems, Inc. Add Interior Systems is a Los Angeles, California-based company which designs and manufactures upholstered institutional seating primarily for the health care industry. We market and sell our products to hospitals and long-term care facilities nationally. Our current annual sales are $5.6 million, we are profitable and employ 73 workers. I am here today to discuss a federal program that has been a key factor in our ability to regain a competitive advantage against increasing imports. I would like to take this opportunity to briefly discuss how our firm was impacted by foreign imports, what assistance the Trade Adjustment Assistance for Firms Program provided to us and how this contributed to our recovery.

Add Interior Systems, founded in 1976 by Roger Lieb, established its market position based upon well engineered, high quality products. Our products were valued for their therapeutic benefits, ergonomic features, combined with eye catching design. By 1988 we were a $3 million dollar firm with 62 employees. Our primary markets were the health-care industry, including hospitals and long-term care facilities, and commercial markets such as department stores and military facilities.

Unfortunately, we did not recognize that we had lost focus of just what business we should be in with our complex, high quality product line. As a result our company became vulnerable to price competition from foreign imports. In 1989 we experience fierce competition from a Canadian firm in two of our most profitable product lines. We lost over $750,000 in potential sales, had to reduce our work force by 16% and became unprofitable for the first time in the firm's history. We had never had to rely on outside help in solving our problems and did not really know how to go about finding or using an outside specialist. However we realized that we did not have the internal resources to address our problems.

In October of 1989 we applied for and were certified to participate in the Trade Adjustment Assistance for Firms program. We requested assistance from the Western Trade Adjustment Assistance Center located at the University of Southern California. The Western TAAC staff assisted our management in analyzing all areas of our business, developed a business recovery plan that addressed our major strengths and weaknesses and assisted us in implementing our recovery strategies over a two year period.

After our plan was approved by the Department of Commerce, Western TAAC assisted us in identifying and selecting outside industry specialists to assist us in implementing the identified projects. Since our firm had little previous experience with outside consultants, Western TAAC's assistance in referring consultants qualified by knowledge and experience, who understood the scope of work and who could provide Add with the necessary assistance, set the foundation for our subsequent success.

Consistent with our recovery plan, we focused on three areas crucial to our survival: Marketing and Sales; Manufacturing Processes; and MIS.

The Marketing and Sales consultants identified a number of areas requiring attention and assisted in the necessary corrective actions. These included: Narrowing our market focus; Modifying our marketing position; Streamlining the product line to enhance company

responsiveness; and enhancement of distribution and sales representation networks. The implementation of these programs have resulted in strong, continuing sales growth, attainment of our targeted marketing position, better customer responsiveness, and most importantly, profitability.

Within the Manufacturing Process Area we have been able to significantly improve our performance. I would briefly like to share some of the strides my company has been able to achieve as a result of the TAA program.

In our upholstery department, an outside engineering consultant assisted us in completely redesigning our production layout, significantly upgrade our cutting operation, recommend new equipment which we purchased, and designed and implemented an employee incentive program. The result has been an unbelievable increase in employee moral and unification of worker/management effort resulting in a tremendous increase in our through-put and a sharp decrease in production costs. As an example of the impact on our operations, in 1991 we operated at 35% of standards in this department. Today we operate at 105% of standards with employees sharing in our increased profitability.

In our frame manufacturing department, another outside engineering consultant has assisted us in just completing a program which reorganized our entire welding and jigging operation. By applying existing proven manufacturing process technology and incorporating new time saving equipment, we eliminated duplicate handling and processing of our product. This resulted in decreasing the number of "quality" rejects and increasing the overall quality of our products in the eyes of our customers. Although we are already realizing benefits from this program, we expect this program to really payoff with continued training in the new processes over the next 12 months.

Finally, TAA assistance enabled us to modify our MIS and stream line our order entry process, which had been a major bottleneck in our sales process. The payback has been improved customer responsiveness and employee effectiveness.

These projects represented a considerable commitment on our part in terms of both dollars and management time. The total cost of this assistance, which was implemented over a two year period, was $139,780 of which we paid 50%.

As a direct result of this assistance, our sales have increased over 100% from $2.8 million in 1989 to $5.6 million in 1992. Our employment increased from a low of 52 to 73 employees today. We forecast that next year our sales will continue to increase at an aggressive rate and that profitability will triple.

We believe that the Trade Adjustment Assistance for Firms program is in keeping with the President's stated goals to re-establish the American economy through job creation and business expansion...and more importantly...it works! We had looked for assistance from other federal and state programs, such as SBDC's and SBA but found TAA was the only program specifically designed to assist manufacturing firms like ours to improve their competitiveness. Mr. Chairman, based upon Add Interior System's experience with the Trade Adjustment Assistance for Firms program, the question before us today shouldn't be regarding re-authorization the program, but rather, how do we expand it so that many more firms can take advantage of this vital and valuable assistance.

Thank you for this opportunity to testify on behalf of this program. I hope that you will seriously consider re-authorizing the Trade Adjustment Assistance program.

Mr. COYNE. Mr. Purgert.

STATEMENT OF ROBERT M. PURGERT, SPECIAL ASSISTANT TO THE PRESIDENT, THOMPSON ALUMINUM CASTING CO., CLEVELAND, OHIO

Mr. PURGERT. I represent the Thompson Aluminum Casting Co. We are located in the Greater Cleveland Area of Ohio, an area and State that contains the largest concentration of metal casting firms in the United States. We are very typical of the industry with just under 50 employees, slightly more than half without a high school education. We pay an industrial/manufacturing wage and provide company paid full family medical benefits to include dental and prescription cards.

We also provide company paid life insurance, holiday and vacation pay, and have a profit sharing plan for our employees. Through the assistance of the Trade Adjustment Assistance Program, we are nearing $5 million in annual sales.

Our firm is a member of the Ohio Cast Metals Association and I personally serve as a trustee for this organization. Our company also participates as a member firm with the State of Ohio's Thomas Edison program.

We are a firm as well as an industry impacted by foreign competition. We are a firm and industry which must be safeguarded and fostered to continue as a viable employment opportunity for those who might not achieve employment elsewhere, particularly noting the manufacturing wages and benefits provided to our employees. We are a firm and an industry that has been significantly assisted through the Trade Adjustment Assistance Program and would now wish to share our experience regarding that program.

The Trade Adjustment Assistance Program exhibited to us a well thought out and complete approach for offering bona fide, useful, practical, and most importantly, individualized assistance. From the first visits to our firm, we could see the program was aimed at providing assistance to our firm. The experience demonstrated that the program is structured to offer only beneficial assistance pertinent to each individual firm participating. It does not attempt to introduce generic solutions applicable to broad segments of the economy, but rather tailors its assistance to the needs of each firm selected for assistance using the criteria of potential for impact and success as a basis.

Our experience with the program through the Great Lakes Trade Adjustment Assistance Center demonstrated that only skilled, experienced, credible professionals familiar with our industry were used. This aspect insured our participation as it assuaged any concern that the TAAC was another program "here from the Government to help us." In other words, had some "generalist" assistance specialists, or worse, pure academians presented themselves to the owners of the firm, our interest would have been less than enthusiastic and probably nonexistent considering the cost sharing aspect of the program. The last thing our owners wanted was some "ivory tower type", unfamiliar with our business, attempting to validate the litany of reasons so often repeated by the press, as the basis for their firm being impacted by competition.

Fortunately, and unique to this program, is that once problem areas and potential opportunities for addressing these problems were documented, the TAA program then completed the "loop" by overseeing and administering the implementation of the strategies for achieving enhanced competitiveness. This was demonstrated by the TAA program preparing the formal Request for Proposals outlining the opportunities selected for implementation, identifying firms capable of providing the assistance, soliciting them for a proposal, reviewing their proposals and writing the contractual instrument to implement the project. The TAAC then oversaw the actual completion of the projects to complete the "Adjustment Plan" we mutually agreed upon.

The Trade Adjustment Assistance Program was found to be truly unique in comparison with many other programs which offer assistance. It recognizes that each firm must be analyzed individually to identify particular or unique features of that firm. It does not attempt to "form fit" a predefined solution to a preconceived generic problem.

It does not point firms in the direction of other assistance available by acting as a referral agency. It does not conduct generic seminars that address broad industry concerns such as environmental regulations or the new changes regarding OSHA standards.

Rather, it does address and provide pertinent, actual and specifically tailored assistance to firms. It does use a professional cadre of staff knowledgeable of the industry being assisted. It does provide a full-service approach from identifying problem areas of the firm, defining strategies for implementing changes to address shortcomings, and then completing the process by overseeing the implementation of the strategy for addressing these problems.

We are not stating that many other assistance programs do not fulfill needs. However, many of these rather generic programs provide services which firms might afford outright, whereas, the type of Adjustment Assistance Program would be cost prohibitive, particularly to small businesses who have been impacted by foreign competition. For example, seminars providing new reporting requirements for the EPA, or Workman's Compensation changes, though useful, might be affordably obtained directly from a consultant or from the help lines offered by many agencies.

This program differs because it is personalized assistance aimed at pinpointing opportunities for ensuring the firm becoming more competitive. It provides a "full-service, hands-on" type of assistance, not a referral or information function.

In summary, if ever there was a need for a program aimed at making the U.S. industrial base more competitive in the world marketplace, the time is now.

[The prepared statement follows:]

Statement of Robert Purgert, Special Assistant to the President
THOMPSON ALUMINUM CASTING COMPANY
Cleveland, Ohio

I represent the Thompson Aluminum Casting Company. We are located in the Greater Cleveland Area of Ohio, an area and State that contains the largest concentration of metal casting firms in the United States. We are very typical of the industry with just under 50 employees, slightly more than half without a high school education. We pay an industrial/manufacturing wage and provide company paid full family medical benefits to include dental and prescription cards. We also provide company paid life insurance, holiday and vacation pay and have a profit sharing plan for our employees. Through the assistance of the Trade Adjustment Assistance Program we are nearing $5,000,000 in annual sales.

Our firm is a member of the Ohio Cast Metals Association (OCMA) and I personally serve as a trustee for this organization. Our company also participates as a member firm with Ohio's Edison Program known as the Edison Materials Technology Center.

We are a firm as well as an industry that has been significantly impacted by foreign competition. We are a firm and industry which must be safeguarded and fostered to continue as a viable employment opportunity for those who might not achieve employment elsewhere particularly noting the manufacturing wages and benefits provided to our employees. We are a firm and an industry that has been significantly assisted through the Trade Adjustment Assistance program and would now wish to share our experience regarding the program.

The Trade Adjustment Assistance program exhibited to us a well thought-out and complete approach for offering bonafide, useful, practical, and most importantly, individualized assistance. From the first visits to our firm, we could see that the Trade Adjustment Assistance program was aimed at providing assistance to OUR firm. Our experience demonstrated that the program is structured to offer only beneficial assistance pertinent to each individual firm participating. It does not attempt to introduce generic solutions applicable to broad segments of the economy, but, rather, tailors its assistance to the needs of each firm selected for assistance using the criteria of potential for impact and success as a basis.

Our experience with the program through the Great Lakes Trade Adjustment Assistance Center or TAAC demonstrated that only skilled, experienced, credible professionals familiar with our industry were used. This aspect insured our participation as it assuaged any concern that the TAAC was another program "here from the Government to help us". In other words, had some "generalist" assistance specialists, or worse, pure academicians presented themselves to the owners of the firm, our interest would have been less than enthusiastic and probably non-existent considering the cost sharing aspect of the program. The last thing our owners wanted was some "ivory tower type", unfamiliar with our business, attempting to validate the litany of reasons so often repeated by the press, as the basis for their firm being impacted by foreign competition. Very fortunately, that is not the Trade Adjustment Assistance program.

The program was initiated by the TAAC performing a very thorough analysis of where our firm "presently stood". This "Diagnostic Phase" of the program required the TAAC to conduct an unbiased survey of our firm and its ranking in the industry. This presented a very delicate position for the TAAC as it had to identify and detail not only the "blooms but the blemishes" of the firm. I'm sure you can appreciate the precariousness of this position in a small firm where the ownership remains very close to the operation and management of the company.

Fortunately, the TAAC was well experienced with this facet of the Assistance Program. Only knowledgeable persons familiar through background, training, experience and preparation were ever utilized on-site at our firm. Meetings with our employees which might have been met with hesitancy or at least some unwillingness to openly discuss our firms condition were effectively dealt with through excellent interpersonal skills. In fact the survey team, including the Director of the Great

Lakes TAAC, spent many days in our foundry, a very harsh industrial environment, observing and working with our employees to fully understand our business. In short, the TAAC people were knowledgeable and willing to get their "hands dirty" earning the respect of our management and employees.

The resulting diagnostic analysis presented to our firm was thorough, complete and almost too accurate! It seems that our employee "buy-in" was so complete in disclosing the "blemishes" that our situation appeared a little worse than even we had envisioned. The report, however, accurately and completely reflected the business condition and provided a "complete picture" of where our firm stood to include many "didn't know thats" and validations of previously suspected conditions. It also substantiated our conclusion that the firm was indeed trade impacted. I'm sure any business person can attest to the value of an unbiased report of this nature, and needless to say we were very pleased.

Using this report as the basis an "Adjustment Plan" was developed outlining potential opportunities for improvement to assist in making the firm more competitive. The TAACs knowledge and use of concensus managment and team building techniques resulted in both acceptance and enthusiasm for the needed changes at the ownership.

Perhaps what is so unique to this program, is that once problem areas and potential opportunities for addressing these were documented, the TAA program then completed the "loop" by overseeing and administering the implementation of the strategies for achieving enhanced competitiveness. This was demonstrated by the TAA program preparing the formal Request for Proposals outlining the opportunities selected for implementation, identifying firms capable of providing the assistance, soliciting them for a proposal, reviewing their proposals and writing the contractual instrument to implement the project. The TAAC then oversaw the actual completion of the projects to complete the "Adjustment Plan" we mutually agreed upon.

This program is truly unique in comparison with many other programs which offer assistance. It recognizes that each firm must be analyzed individually to identify particular or unique features of that firm. It does not attempt to "form fit" a pre-defined solution to a pre-conceived generic problem. It does not point firms in the direction of other assistance available by acting as a referral agency. It does not conduct generic seminars that address broad industry concerns such as environmental regulations or the new changes regarding OSHA standards.

Rather, it does address and provide pertinent, actual and specifically tailored assistance to firms. It does use a professional cadre of staff knowledgeable of the industry being assisted. It does provide a full service approach from identifying problem areas of the firm, defining strategies for implementing changes to address shortcomings, and then completing the process by overseeing the implementation of the strategy for addressing these problem areas.

We are not stating that many other assistance programs do not fulfill needs. However, many of these rather generic programs provide services which firms might afford outright, whereas, the type of assistance offered through the Trade Adjustment Assistance Program would be cost prohibitive, particularly to small businesses who have been impacted by foreign competition. For example, seminars providing new reporting requirements for the EPA, or Workmans Compensation changes, though useful, might be affordably obtained directly from a consultant or the help lines offered by many agencies.

This program differs in that it is personalized assistance aimed at pin-pointing opportunities for ensuring the firm becoming more competitive. It provides a "full service, hands-on" type of assistance, not a referral or information function.

In summary, if ever there was a need for a program aimed at making the U.S. industrial base more competitive in the world market place, the time is now.

Mr. COYNE. I thank you all for your testimony.

Have any of you in your businesses used the services of SBA, and if you have, would you like to compare the way those services were delivered, with the services you received under the Trade Adjustment Assistance Program?

Mr. ANGELILLO. When our company was started in 1972, we utilized an SBA loan guarantee through one of the placement banks in our community. SBA only handled the financial aspects of guaranteeing the loan for the lending institution. There was no consulting offered, no services like the TAAP system offered. It was strictly a financial resource. They did not go into that like TAAP does.

Mr. JACOBS. Our experience has been the same.

Mr. SAVAGE. We have found the TAAP proved to be challenging as well. The people there were qualified. They have gained a lot of experience working with other firms, and they are willing to play somewhat with us and challenge us as well. I think that overall approach where we are putting in half along with the Government's contribution to go ahead with the program really forces some good hard analysis.

And I have studied in detail I think as many of the Government programs as there are available, and I can report very factually that none of them come close to offering the real genuine help that a manufacturer like my company required.

Mr. PURGERT. I would agree, Mr. Chairman. We have had experience with the SBA loan guarantee program which was only interested in the financial aspects of the firm. Unlike that, when the TAAP people came to the facility, they spent days in our foundry ensuring that they understood every aspect of our business, to include the financial, so they were much more in depth, much more hands-on.

Mr. COYNE. Are there changes that any of you would make in the Trade Adjustment Assistance Program that could possibly make the program more effective? Are there recommendations that you would like to make if Congress is of a mind to continue the program that would make it more effective?

Mr. SAVAGE. I feel like all of us, the TAAP people have a tremendous workload as well, and if anything, I would like to see them be able to have more help. We are encouraged when we have the opportunity to have them visit us and challenge us. Rather than discouraging them from visiting, we find ourselves encouraging them to come and are disappointed whether they have to be in New York or some of these other places.

So we are very satisfied with the basic structure of the program, but if more assistance could be given so that they are able to participate more, it would help us more.

Mr. COYNE. I want to thank you all for your testimony on this panel, and I look forward to hearing from you again. Thank you.

Mr. COYNE. The next witness is Mr. Friedman from the AFL–CIO.

STATEMENT OF SHELDON FRIEDMAN, ECONOMIST, DEPARTMENT OF ECONOMIC RESEARCH, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. FRIEDMAN. I appreciate the opportunity to be here today. The AFL–CIO supports retention of the TAA for firms program. The U.S. industrial base has shrunk by some 3 million jobs since 1979, a loss of roughly 1 in 7 of those jobs. For the workers and their families and communities, it has been a devastating loss. As a small $14 million program, the Trade Adjustment Assistance for Firms program is at best a small finger in the dike against this overwhelming torrent of job loss. But for the workers whose jobs have been preserved by the program, it has been an important lifeline.

If you look at what is happening today, the trade deficit is massive, and rising again. The administration is advocating agreements such as NAFTA which would contribute even further to job loss if adopted. It seems to us to be the wrong time to be eliminating a program like trade adjustment assistance for firms.

The rationale for the program, if anything, is even stronger today than when President Kennedy first proposed trade adjustment assistance back in the early 1960s. In fact, the Government does owe a special obligation to those who are injured by its trade policies, to the workers and the firms who bear the brunt of increased imports. This is an obligation that every successive Congress since 1962, when the Trade Adjustment Assistance Program was first adopted, has recognized and has reiterated and carried forward.

Even during the 1980s, despite repeated attempts to eliminate the program by Republican administrations during that decade, the program was preserved because the Congress did recognize the continuing obligation of the Federal Government to help those who would be injured by U.S. Government trade and trade policies.

My own work is focused much more on the worker assistance side of the program. As you may know, we have offered detailed recommendations for improving the effectiveness of that side of the program. What workers really need, however, is good jobs and the preservation of those jobs. No amount of after-the-fact assistance, whether training or income support, comes close in importance to matching avoidance of loss of their jobs in the first place.

To the extent that this modest program has been successful in preserving at least some of these manufacturing jobs, and doing so I might add in a very cost-effective way, we believe that the program deserves to be retained. As we heard earlier this morning, even from Mr. Sallet of the Department of Commerce, there is no case being made by the Department of Commerce that the program is ineffective. They are arguing strictly, as I understand it, on budgetary grounds for its elimination.

I think here we are captives of a process that, if a business were using the same kind of bookkeeping, it would be out of business in a short period of time. We have here—and this is not intended as a criticism of the administration or budgetary procedures adopted by the Congress—but if you look at what we are talking about in terms of proposing elimination of a program of this kind and arguing the reason to do it is because of the direct budgetary savings that would result, we are missing completely the benefit to the na-

tional economy that will result from preserving those jobs, compared with the relatively small amount of assistance required.

We are talking about preserving the tax base, preserving communities, keeping people employed as taxpayers. Somehow the calculus by which budget decisions like this are made is all wrong. If the budget process doesn't take into account these larger implications of budgetary decisions, somehow the accounting is wrong. I submit if a corporation did its planning and made its decisions that way, it would be out of business in a short period of time.

Many free-market economists would argue that trade-injured firms assisted under the TAA program ought to be left to die. This is a cavalier attitude that was pervasive during previous Republican administrations and certainly it is not the attitude, I don't believe, of the current administration.

These trade-injured firms in many cases can restructure, can turn things around. They may be having hard times because of increased imports, because of inadequate trade policy, but in many cases they can turn things around. When that can be done, it is a very sound and wise investment for the Federal Government to preserve these jobs. We are heartened by the proposals in President Clinton's economic plan that would expand the other types of assistance to our manufacturing base, the sorts of programs that Mr. Sallet mentioned this morning, the Industrial Extension Services, and so forth.

But until these new programs are fully up and running, and until it is clear that the range of services that is going to be provided is fully comparable to those now provided under TAA for firms, it would be completely inappropriate to eliminate a program that we have such a strong indication is now working and working well.

Even then there would be an important matter of principle that should not lightly be discarded, the obligation of the Federal Government to help trade-injured firms and workers, particularly if there isn't enough in the way of resources to go around. I submit in the austere budgetary environment we will be in, there won't be sufficient resources to go around.

In that kind of restricted environment, it seems to me entirely wrong for the Government to abandon its commitment to help trade-injured workers and firms to adjust.

We would like to offer, if we may, a couple of suggestions for improving the effectiveness of the Trade Adjustment Assistance for Firms program. Most important, there needs to be more access as part and parcel of the program to at least temporary import relief. In many cases, with all the consulting help and technical assistance in the world, a potentially viable firm is just not going to be able to turn things around if it doesn't also have some trade policy relief from the Government.

It is quite possible that that relief can be used effectively to turn things around. The Harley-Davidson company is a good case in point.

I suppose most of my colleagues in the economics profession would adopt the cavalier notion that once a firm is behind competitively, we ought to let it die. I don't think that is right. I think in many cases those firms can turn things around, but import relief

is often a very critical element of doing this. We would hope there was a way to make it more readily available in conjunction with TAA for firms.

We would also like to suggest that the workers be more directly involved in the TAA for Firms program. In the development of the economic adjustment plan, the workers' inputs and that of their representatives should be sought and taken into account, the plans that are developed should be reviewed by them and their input should be fully reflected.

That really is the only way to protect the interests of workers with respect to the program. It is commendable that the current language does require taking the workers' interests into account, but in terms of actually finding a way to do that, we think that requiring the adjustment plan to be reviewed by, and providing opportunities for input by, the workers and their representatives, would be the best way to assure that this mandate is carried out.

I know the focus of this hearing is on the firm side of the program, but I can't miss this opportunity to thank the subcommittee for your recent action in supporting preservation of the worker assistance side of the program. As you know, we feel very strongly that TAA for workers ought not only to be preserved, but also to be greatly improved. I hope you are aware of our recommendations in this regard. If you are not, we certainly would welcome an opportunity to provide again, our suggestions for improvements in the areas of benefits, eligibility and funding for the worker assistance side of the program.

In closing, the principle that the Government owes an obligation to help those who are injured by its trade policies is very important and ought not to be discarded lightly, particularly at this time of high and rising trade deficits, and concerns about agreements such as the NAFTA which, regardless of how you feel about it, has to be acknowledged as something which will cause dislocations if it is adopted.

I appreciate this opportunity to testify.

Thank you.

Mr. COYNE. Well, thank you, Mr. Friedman.

[The prepared statement follows:]

STATEMENT OF SHELDON FRIEDMAN
DEPARTMENT OF ECONOMIC RESEARCH
AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS
BEFORE THE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON TRADE
ON THE TRADE ADJUSTMENT ASSISTANCE PROGRAM FOR FIRMS

May 27, 1993

Thank you for this opportunity to present the views of the AFL-CIO on the administration's proposal to eliminate the Trade Adjustment Assistance (TAA) program for firms.

The U.S. industrial base has shrunk by nearly three million jobs since 1979, a loss of one out of every seven manufacturing jobs. For workers, their families and communities across the country, the loss has been far more devastating than mere numbers or statistics can describe.

As a $14 million per year program, TAA for firms is not even a finger in the dike against this overwhelming torrent of job loss. Yet for workers whose jobs have been preserved because of this program, TAA for firms has been a welcome lifeline. At a time when the nation's trade deficit remains massive and is again rising, and the administration is pursuing trade agreements such as NAFTA that will cause the loss of even more jobs, it would be a serious mistake to sever this lifeline.

The rationale for TAA, both for workers and for firms, is stronger today than when President Kennedy first proposed the program more than thirty years ago. According to President Kennedy's message to Congress accompanying the trade bill that gave birth to TAA in 1962:

> "I am . . . recommending as an essential part of the new trade program that companies, farmers and workers who suffer damage from increased foreign import competition be assisted in their efforts to adjust to that competition. When considerations of national policy make it desirable to avoid higher tariffs, those injured by that competition should not be required to bear the full brunt of the impact. Rather, the burden of economic adjustment should be borne in part by the Federal Government."[1]

Advocates of freer trade base their advocacy on the belief that freer trade will benefit the nation as a whole. While the universal validity of this belief can be questioned, the fact that with freer trade there will be losers as well as winners, cannot. Widespread recognition of this fact has led to substantial bipartisan support for Trade Adjustment Assistance since the program's inception. The original 1962 commitment of the Congress to provide Trade Adjustment Assistance was reaffirmed in 1974, 1981, 1983, 1986, and again in the Trade Act of 1988. Since 1980, the Congress successfully maintained TAA despite repeated attempts by Republican administrations to eliminate it.

As you know from previous AFL-CIO testimony, we strongly support retention and improvement of the worker assistance side of the TAA program and have provided detailed, specific recommendations for improving the program.[2] What workers and the economy need most, however, are trade and industrial policies that will create good jobs in America and stop

---

[1] "Text of Kennedy's Message to Congress asking for New Tariff Bargaining Powers," *New York Times*, January 26, 1962, p. 10.

[2] See the Statement of Sheldon Friedman, Department of Economic Research, American Federation of Labor and Congress of Industrial Organizations, Before the Committee on Ways and Means, Subcommittee on Trade, On the Operation and Effectiveness of the Trade Adjustment Assistance (TAA) Program, August 1, 1991.

the hemorrhage of those jobs. Workers need assistance when they become unemployed, but no amount or kind of assistance can take the place of a steady, decently-paid job. TAA for firms is a program that has retained and preserved at least some of these jobs, and at modest cost.

Currently, TAA benefits for firms consist solely of technical assistance. The purpose of this assistance is to help trade-injured firms develop and implement an adjustment plan to restore their economic health. Firms are eligible to apply for TAA if a substantial number or proportion of their workers have been or are at risk of being laid off, sales or production have declined by 25 percent or more during the previous year, and increased imports have contributed importantly to the layoffs and the sales/production declines.

Once these criteria have been met, firms can apply for TAA by submitting a proposal for economic adjustment. TAA is granted if the Commerce Department determines that implementation of the adjustment plan has a reasonable chance of restoring the firm's economic health, that the plan gives adequate consideration to the interests of the firm's workers, and that the firm will be relying on its own resources to implement the plan.

The federal share of technical assistance cannot exceed 75 percent of the cost of the assistance, except for the cost of developing the adjustment plan, which can be 100 percent federally funded. The program is administered by twelve regional Trade Adjustment Assistance Centers (TAACs) around the country, most of them affiliated with business schools at major universities. Since 1972, some 2,000 firms have received adjustment assistance from the TAACs.

Many free market economists would advocate simply letting all of these firms fail. Such cavalier thinking was pervasive among economic policy makers in the previous Republican administrations. Yet in certain cases the development and implementation of an appropriate economic adjustment plan, including if necessary changes in corporate management, can give even badly trade-injured firms a new lease on life. Where such a turnaround is possible at modest cost to the federal government, it is far cheaper for the government to preserve jobs via Trade Adjustment Assistance than to pay the devastating social costs that will be incurred if those jobs are lost. Moreover, since the injury to these firms and workers is the result, directly or indirectly, of the federal government's trade policy, the federal government has an obligation to help them out.

The AFL-CIO is heartened by proposals in President Clinton's economic program which addresses the need to revitalize the nation's sagging manufacturing base, by means of programs such as industrial extension services. Until these new programs are fully in place, however, it would be a mistake to dismantle TAA for firms. Even then, unless the services provided by these new programs will include services now provided uniquely by TAA, and unless the resources devoted to them will be so abundant that there is no need to target help to trade-injured firms for which the federal government bears special responsibility, the TAA program for firms will still be needed and should be continued.

Indeed, it has been suggested that TAA for firms is a model for public policies which should be extended more widely to preserve and create manufacturing jobs.[3] In particular, the program should be studied to determine if it offers lessons which can be applied to meet the challenge of converting the nation's military industries to alternative civilian production.

While it would be useful to continue TAA for firms even in its present form, the AFL-CIO wishes to offer several suggestions for improving the program. In many cases, no amount of technical assistance or consulting services will turn around a trade-injured firm in the absence of at least a temporary period of import relief. Again, contrary to conventional economic wisdom, it is entirely possible to use the breathing space provided by import relief to restructure a troubled company and thereby save jobs. The example of Harley Davidson is instructive in this

---

[3] The Trade Adjustment Assistance Program: A Model for a National Industrial Strategy, Jack Edelstein, Business and Industrial Assistance Division, Michigan Business School, University of Michigan, March 1993.

regard. Too often, TAA is thought of as an alternative to import relief. TAA should instead be viewed as an adjunct to targeted import relief. **The AFL-CIO therefore recommends that import relief ought to be more widely and more generally available as an integral part of well designed TAA turnaround plans to save jobs.**

We also recommend that workers' interests be more fully considered and reflected in the operating procedures of the TAA for firms program. It is commendable that current law requires TAA economic adjustment proposals to give "adequate consideration to the interests of the workers in the firm."[4] We urge, however, that this language be strengthened in two ways. Consideration should be given, not only to the interests of workers in the firm, but also to other U.S. workers. Every effort must be made to assure that jobs retained or created as a result of TAA for firms do not come at the expense of workers at **other** U.S. firms.

Secondly, **workers and their representatives should be given an opportunity to review and provide input to their employer's proposed economic adjustment plan, and to offer their comments on the proposed plan, prior to its approval by the Department of Commerce.** This is the best way to assure that the plan truly does take workers' interests into account.

While the focus of this public hearing is TAA for firms, the AFL-CIO wishes to take this opportunity to thank the members of the subcommittee for your recent support for retaining TAA for workers as a distinct entitlement program. The AFL-CIO knows and appreciates the priority placed on workers training and assistance by President Clinton. We are heartened by the substantial increase in funding for dislocated worker programs proposed in President Clinton's economic plan. However, this increase should not come at the expense of abolishing TAA as a distinct entitlement which reflects the federal government's 31 year old special commitment to help trade-injured workers.

If TAA is eliminated as a distinct entitlement, it is probable that all spending for dislocated worker assistance would become discretionary rather than an entitlement, and will therefore have to be appropriated every year. There is no assurance that the discretionary amounts authorized in the budget resolution would in fact be appropriated. Furthermore, the important principle that the federal government owes a special obligation to assist trade-injured workers would be lost.

Elimination of TAA would run directly counter to the commitment President Clinton made on October 4, 1992, during the campaign, when he said: "We will give you . . . trade adjustment assistance that includes training, health care benefits and income supports, and assistance to communities to create jobs . . . I will do more, it will be better. The American working people will be proud of it."

We urge this subcommittee to support the permanent extension of TAA for workers, with sharp increases in benefit levels and expansion in scope of coverage. The risk that NAFTA may be implemented underscores even further the urgency of extending and **improving** the worker assistance side of TAA.

Thank you for this opportunity to present the views of the AFL-CIO on TAA for firms. We hope this subcommittee will support retention of this job preserving program, and we request your support for the improvements in the program that we have suggested.

---

[4] Overview of Entitlement Programs, Committee On Ways and Means, U.S. House of Representatives, May 15, 1992, p. 482.

Mr. COYNE. Some of the earlier witnesses pointed out that on a per worker basis, the cost of this program is in the neighborhood in some instances of $500 or $700 per worker. That is comparable to 3 weeks unemployment compensation.

It seems like a small price to pay for keeping people employed or giving people an opportunity to remain employed.

The other thing that strikes me is that during the 1970s and 1980s, when in many instances we had surpluses with our trading partners, this program remained intact, and that now, when we are having record deficits in our trade imbalance, we are looking to do away with it.

Chairman GIBBONS. Mr. Friedman, I am glad you mentioned the worker retraining program because we intend to get to that. The only reason we haven't gotten to it is the fact that the administration has signaled to us that they would like some time to think about their proposal before they come back to Congress. That is the reason for making the Trade Adjustment Assistance Program extension that we did, but we want to make sure that that concern that you expressed so well is adequately met. Of course the question always comes up in these retraining programs, we are retraining for what, and I think of course the people we had here this morning are the what.

They, through their concerns, offer the types of employment that we need, that we are retraining for. So I think it is essential that we keep these together. It is pitiful that we are here talking about $8 million a year. The need out there, that I can see, is far greater than that.

My district is essentially made up of a very lot of small people, small businesses, small employers, and I know from going around to their places of employment that they keep running on nerve, ingenuity and flexibility to keep their businesses together and make them productive and to provide employment, provide the services and the materials that people need.

I am just astounded as I go around my district how many very small businesses there are, and yet they seem to survive and some of them quite comfortably.

So I do feel we need continued emphasis in this area. I am going to rack my brain for the rest of this year trying to figure out some way we can get the kind of response that the Government ought to have.

Mr. Neal.

Mr. NEAL. Mr. Chairman, I would like to ask Mr. Friedman if we could recount what went wrong with the Trade Readjustment Act I think in the late 1970s and the early 1980s. If you recall, the benefits were exhausted, critics would say prematurely. Others would say that the benefits at the time were overly generous and that the program hadn't been well thought out.

Do you have any memory of those events?

Mr. FRIEDMAN. Yes, I do. Well, specifically you are asking what changes were made at that time? The major one was that the——

Mr. NEAL. The appropriation was exhausted about halfway through the period in which it was intended.

Mr. FRIEDMAN. Well, actually expenditures for the TAA program in the peak year in today's money were something like $2.6 billion.

This figure relates to fiscal year 1980, which was the high water mark for the program. When the Reagan administration came in, they sought total elimination of the program.

The net result of the wrangling over that proposal was tremendous scaling back of the program. The number of workers served by TAA plummeted from somewhere in the neighborhood of 500,000 workers in the peak year to somewhere in the neighborhood of 25,000 workers, just at the time when the trade deficit was skyrocketing.

The program wasn't eliminated but it was certainly cut way, way back and it has remained cut way, way back throughout the 1980s, although in the last few years, we have seen a few modest improvements. But we would like to see a whole range of improvements in the eligibility rules for the program and the array of services provided to workers under the program, and most of all, in putting it on some kind of secure funding basis, by earmarking a portion of tariff revenues to a TAA trust fund so the program is insulated from the year to year struggle over funding.

Mr. NEAL. Thank you.

Chairman GIBBONS. Mr. Neal, essentially it is what Mr. Friedman said. The Reagan administration just decided they would kill the program and we kept it alive but we had a hell of a tough time keeping it alive is what it amounts to. I am hopeful that the new administration, once it decides exactly how it wants to approach this problem, will be much more vigorous and I believe much more successful in getting it going. I hope that this administration will see the good that has been done on the program we have examined here this morning and will find some way to continue that effort.

They have some funds over there in Commerce that I think while they scale back, I think they could find something until we rally the support for the program.

Well, that concludes our hearings for today. We will keep the subcommittee record open for written statements until Friday, June 4. So this hearing is adjourned, thank you.

[Whereupon, at 11:45 a.m., the hearing was adjourned.]

[Submissions for the record follow:]

BINGHAMTON
UNIVERSITY

VICE PRESIDENT FOR EXTERNAL AFFAIRS

PO Box 6000
Binghamton, New York 13902-6000
607-777-6757

May 28, 1993

The Honorable Sam M. Gibbons
Chairman, Subcommittee on Trade
Committee on Ways and Means
U. S. House of Representative
1102 Longworth House Office Building
Washington, D. C. 20515

Dear Congressman Gibbons,

Support of Testimony of May 27, 1993, to continue the Trade Adjustment Assistance Program for Firms

I encourage you to reauthorize the Trade Adjustment Assistance Program (TAAP) for firms. This program has been a critical component of the economic development mission of the State University of New York at Binghamton for many years I have seen first hand the mastery of this program in working with small and medium-size manufacturers in helping them regain sales and employment after years of increased competition from imported goods The TAAP is an excellent example of Government and business working in concert to enhance domestic economic conditions.

The average client firm in New York State employs 100 workers. It is just this size and type of manufacturer that is important to a recovery in employment numbers. As more and more Fortune 500 Corporations continue their trend in downsizing, it is the small and medium-size manufacturer that can help offer opportunity and jobs.

Through technical assistance and consulting services, the New York State Trade Adjustment Assistance Center (NYS TAAC) has applied sound management principles and addressed specific targeted needs in the small and medium-size manufacturer. The NYS TAAC and manufacturer work together to find solutions to problems that threaten the continued economic activity of the manufacturer. This involvement has allowed these manufacturers to remain competitive and expand.

The TAAP is a cost-shared program and as applied by the NYS TAAC, is a fine example of how Federal funds are leveraged with real monies from manufacturers to produce a lasting change.

In closing, I urge your support in ensuring the TAAP be reauthorized and that adequate appropriations be made to allow this program to continue to help manufacturers improve their competitive position against foreign competition.

Sincerely,

Thm F. Kelly

Thomas F Kelly
Vice President for External Affairs

HENRY BONILLA
23o DISTRICT, TEXAS

1529 LONGWORTH OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-4511

Congress of the United States
House of Representatives
Washington, DC 20515-4323

COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION

SUBCOMMITTEE ON DISTRICT OF COLUMBIA

May 19, 1993

The Honorable Sam Gibbons
Chairman, Subcommittee on Trade
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Gibbons:

It is my understanding that hearings will soon be held regarding the reauthorization of the Trade Adjustment Assistance (TAA) program.

The University of Texas at San Antonio currently operates the Southwest Trade Adjustment Assistance Center (SWTAAC) -- one of twelve (12) TAA centers nationwide that offer services to manufacturers. Since its creation, firms employing approximately 1,433 people have benefited from the program.

The SWTAAC is one of the few programs that requires each firm to match expenditures for specific projects and, therefore, invest its capital in a strategy that will bring long-term growth to the company. To date, firms participating in the SWTAAC have spent $50,400 of their own funds creating 146 new jobs and increasing sales by over $14 million.

The prospect of a ratified NAFTA will definitely benefit many firms across the nation, especially in the border regions. The SWTAAC, and similar programs, are perfect vehicles for providing transitional help to firms affected by a NAFTA.

Although the Administration's budget proposal recommends elimination of funding for this program, I believe that any such action would be a step in the wrong direction.

Respectfully yours,

Henry Bonilla
Member of Congress

PLEASE REPLY TO

☐ 11120 WURZBACH, SUITE 300
SAN ANTONIO, TX 76230
(210) 697-9055

☐ 1300 MATAMOROS ST. SUITE 113B
LAREDO, TX 78040
(210) 726-4682

☐ 111 E. BROADWAY, SUITE 101
DEL RIO, TX 78840
(210) 774-8547

☐ 4400 N. BIG SPRING, SUITE 211
MIDLAND, TX 79705
(915) 686-8833

PRINTED ON RECYCLED PAPER

27955 College Park Drive • Warren, Michigan 48093
(313) 778-8540 • Fax (313) 778-0690

Caratron
INDUSTRIES, INC.

May 27, 1993

Ms. Janice Mays
Chief Counsel and Staff Director
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Ms. Mays:

We as a small manufacturer have suffered greatly in the last few years as a result of the economic downturn and the increased competition from off shore producers. As a result of this weakened position, Caratron has applied for assistance under the Trade Adjustments Assistance Act which is soon to be eliminated. It seems strange that at a time when a new administration has taken office and has pledged to improve employment in the country one of its first acts would be to eliminate an assistance program that has proven to increase employment and maintain investment in the private sector generating substantial dollars rather than depleting them. If the Trade Adjustment Act is eliminated and we continue to suffer this downturn and the incursion of foreign subsidized competition, where are we expected to turn?

We, as a company, fully understand that the assistance we would be getting would help identify weaknesses within our own organization as well as identify all potential markets that could utilize the capabilities of our facility. This is far different than asking for unemployment benefits, food stamps or any other non-productive pay basis.

We strongly request that you revisit the decision to shut down the Trade Adjustment Act and give the U.S. small business owner an opportunity to continue to support his employees, his customers and his country, rather than look to them for his support.

Very truly yours,

CARATRON INDUSTRIES, INC.

William A. Morelli, Sr
President

WAM/cf

cc: Peter Koenig
Wendy Allen

CONVERSION EQUIPMENT CORPORATION

330 WEST TAFT AVENUE
ORANGE, CALIFORNIA 92665
(714) 637-2970
FAX (714) 637-8654

May 24, 1993

U.S. House of Representatives
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

Attention: Janice Mays
Chief Council and Staff Director

Dear Honorables:

We are Conversion Equipment Corporation, CEC, a small business in the Electronics field in Orange, California. We sell Switching Power Supplies to the Computer and Communications Market. We currently have 45 employees. CEC has lost sizeable orders and Customers to off shore manufacturers. CEC is in the process of obtaining assistance in product development and operational restructuring. Hopefully the results of these TAAC assisted projects should help us move in a more technological direction to stay ahead of the off shore competition and also the other projects will make us more efficient from an operating standpoint. These programs should help us increase sales and employment. CEC also recognizes that these types of projects are a constant requirement on a long term basis and TAAC, therefore, is a necessary catalyst for small businesses to maintain this position.

Of all the Government Programs, CEC, has come across the TAAC program is one of the most direct in giving timely and concrete assistance. It pays for results! As a taxpayer, we're glad to be a part of the program from both ends. That is as a provider (taxpayer) and recipient (approved participant).

Sincerely,

Mark Kato
President

Energy Transformation Systems, Inc.

Network Connectivity Products
Custom Magnetics & Power Electronics

May 21, 1993

Ms. Janice Mays
Chief Council and Staff Director
Committee on Ways and Means
US House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Ms. Mays;

We are writing to urge reauthorization / refunding of the Trade Adjustment Assistance for Firms program when this legislation is introduced this session in the Subcommittee on Trade, of the Committee on Ways and Means.

We are a company of 35 employees manufacturing transformers, small power supplies and connectivity devices for Local Area Network systems for computer networks. Many of the products are new innovations for network systems and state of the art products which are enhancing or redefining the whole communication process.

As few as three years ago, we were a company of 120 employees. Many of these employees came to us as unskilled labor from third world countries. We have trained many of them to semi-skilled to professional status. Several of our products have become commodities and our customers have gone off shore to have the products manufactured where labor is cheaper. At this time we are a company of 35 employees having lost several million in annual sales.

We are currently in the process of application for funds from TAAC. With this financial assistance, we intend to implement a strong marketing program and purchase new manufacturing equipment which will give us greater manufacturing efficiencies.

Our sales will be greatly enhanced with a modest sum in financial assistance. With greater manufacturing efficiency we will be more competitive visa-vis foreign competition. The TAAC assistance will enable us to realize our goal of regaining our market share thus adding to our employee numbers. We anticipate even with modest gains we should be re-employing to numbers of 60 - 90 within a 9 month to 1 year period. Considering the unemployment rate in California and the economic slump in Silicon Valley, if 30 -60 people could be employed by only gating on the sum of $120, 000 in assistance; that would be an excellent investment in America's future.

TAAC is particularly attractive because it is a matched fund which requires the company to invest. It is a positive program where government and small businesses work together. We all believe small businesses are the back-bone of America and to assist them makes for a stronger, more dynamic industrial base and hence a stronger economy. In addition, working with TAAC representatives has been a very positive experience. Agency members work closely with you and with a sense of urgency to get the job completed.

On an immediate and more personal level, the company has already invested several thousand dollars of its limited assets (both cash and 'person-hours') to the TAAC program. To lose that investment would be significant and costly.

Sincerely,

Jack S. Andresen, CEO

1394 Willow Road, Menlo Park, California 94025 Tel: (415) 324-4949 (800) 752-8208 FAX: (415) 324-1608

Federal Bronze
Casting Industries, Inc.

9 Backus Street
Newark, New Jersey 07105
201/589-7575

Fax 201/589-7078

Federal Bronze

May 11, 1993

Ms. Janice Mays
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Ms. Mays,

It has just been brought to my attention that the trade adjustment assistance program will be either curtailed or eliminated under the President's economic plan. I thought President Clinton intended to help small businesses. By curtailing or eliminating this program he is not only hurting small business, he is removing one of the few programs in place that actually help small businesses compete and stay in business during this never ending recession. My company has just applied for assistance and if we do not receive any we will be forced to either lay off more employees or go out of business in the near future, putting all 44 employees out of work. Please reconsider the plans that will adversely affect this program and help the small businesses of this country which employ millions of people.

Thank you for your consideration in this matter.

Yours truly,

John W. Burk
President

Goldfinger Hawaii, Inc.

P.O. BOX 10578 ● HONOLULU, HAWAII 96816 ● (808) 488-1000

May 21, 1993

Janice Mays
Chief Council and Staff Director
Committee on Ways and Means
US House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Ms. Mays:

I am writing to urge the re-authorization of the Trade Adjustment Assistance for Firms program when the legislation is introduced this session.

We are a jewelry manufacturing firm which has been harmed by imports. We participated in this program in the past. It helped us to expand our business and increase our employment by 50% over three years.

Although we are no longer eligible for assistance under this program, I feel it can help other firms to combat the effects of competition from foreign made products.

Sincerely,

Steven D. Lee
President
Goldfinger Hawaii, Inc.

MARGARET M. CREGER, DIRECTOR, GREAT LAKES TRADE ADJUSTMENT ASSISTANCE CENTER — TESTIMONY BEFORE SUBCOMMITTEE ON TRADE, HOUSE WAYS AND MEANS COMMITTEE

I am Margaret M. Creger, Director, Great Lakes Trade Adjustment Assistance Center. I am providing this written testimony to the House Ways and Means Committee's Subcommittee on Trade as part of the information collected during the Subcommittee's consideration of Trade Adjustment Assistance for firms.

In the Midwest we have a critical interest in trade issues. It is in the Midwest that the nation's Number One employer, the automotive industry, has been devastated by the impact of imports. Between 1978 and 1990 the automotive industry lost 240,000 jobs. We cannot even calculate the additional losses in jobs and revenue in related service and retail sectors, although a recent study indicates that each manufacturing job generates an average of 4.2 other jobs. Those 240,000 lost jobs were good, well-paying manufacturing jobs — the tool and die makers, operators of stamping presses and screw machines, production line workers — the kinds of jobs that provide both opportunity and an improved standard of living.

Promised changes in trade arrangements are sure to have a continuing, significant impact on the midwestern economy as the North American Free Trade Agreement (NAFTA) goes into place. Domestic manufacturers are likely to experience more intense competition. Foreign manufacturing sites may become more attractive as trade flows more freely across the Mexican and Canadian borders. There will be a two-fold impact on employment. Manufacturing volume will decline as imported goods substitute for domestic goods, and manufacturing plants will move to foreign locations to take advantage of wage differentials. We can expect a continued erosion of the midwestern job base. Even if the NAFTA should not be enacted, the markets in which our smaller manufacturing firms operate certainly will become more competitive. Global economic and social factors drive this change and it will continue with or without a free trade agreement.

There is, of course, another side to the trade issue. In our free market system individual consumers have the right to purchase a product of choice. If domestic manufacturers cannot meet customer needs, customers also have the right to purchase imports. To preserve domestic manufacturing jobs we must reconfigure domestic manufacturing enterprise to produce goods people will want to buy at a price they can afford to pay. One way to assist the transition to competitive manufacturing is to provide information to firms about new manufacturing and market requirements. Changes then can take place before firms are locked into a declining cycle. Limited government help for companies that are changing from the old ways to new ones can be an effective catalyst speeding the transition process.

We already have in place a unique program that both tries and succeeds in this transitional effort. That is the program you are considering today — Trade Adjustment Assistance for firms. The panel has asked for information on four areas. The first three are TAA program operation, administration, and accomplishments. The fourth addresses whether or not TAA program activities are available through other programs currently in operation.

As the Director of a Trade Adjustment Assistance Center that serves the states of Michigan, Indiana, and Ohio I am pleased to provide information on that Center as it relates to your concerns.

When first established, Trade Adjustment Assistance for firms was operated out of Washington. The subsequent development of regional centers was effective, allowing closer contact between project managers and client firms. It also has been effective in accommodating the different manufacturing specializations and surprisingly different organizational characteristics of various regions. A gradual movement toward decentralized decision making has been the natural outgrowth of a program where regional centers work closely with and are best informed about the client base. Any decision to expand the program would be most effective if the number of regional

centers was expanded, dividing the country into roughly equal areas based on the number of manufacturing firms in any one area.

The national program is administered by the US. Department of Commerce, Economic Development Administration (EDA). From an administrative point of view, the recent move from the International Trade Administration to the EDA has worked well. Trade Adjustment Assistance for firms fits well with the EDA charter. The qualification process for the program is unique, having a number of criteria that must be met to insure that participating firms are in fact challenged by imports. While these criteria were reasonable when the program was initiated, imports are now such a pervasive part of our domestic economy that virtually all firms are affected by import competition. At this time, then, it would be more appropriate to require that firms show reduced sales and employment, and customers switching to imports, without being required to show that imports of that product are increasing.

There are many ways to judge a program's effectiveness. First, there are the success stories, the company profiles and anecdotal histories that demonstrate a company's return to strength through recapturing markets once lost to imports, and by dominating new markets in the competitive global arena.[1] Second, there are the hard numbers. The Great Lakes TAAC has worked closely with 151 firms in our three-state area. Forty-two firms currently participate in the program. There have been 3,621 jobs saved at firms that have completed assistance, and there are 445 new jobs at these firms. These are the hard numbers, an increase of 445 manufacturing jobs in addition to the 3,621 jobs that have been stabilized.[2] I would be less than candid if I failed to mention that several of these companies experienced a decrease in employment. However, these jobs were lost by eliminating inefficiencies and increasing worker productivity — both necessary conditions for competitive manufacturing. The jobs that remain are far more secure.

A third way to judge a program's effectiveness is the return on the federal investment. In the midwestern tri-state area alone that return has been over 300 percent, calculating only federal and local income taxes and using a much more conservative multiplier effect than that quoted above.[3]

Perhaps one of the best ways to judge program effectiveness is in the words of the firms that have participated in the program. An Ohio firm said that it "found the GLTAAC people to be most helpful in developing a program that will make us a stronger competitor in both domestic and world markets." A Michigan supplier to the automotive industry said it "received very beneficial assistance from the GLTAAC at a very volatile time in our company's growth.... The GLTAAC was very thorough in its analysis."[4]

Although concern has been expressed that the firms participating in the program are weak and destined to fail, of the 64 manufacturing firms that have participated in the Great Lakes TAAC program, 53 (83%) are still in operation, either as independent firms or as operations within larger corporate entities.[5]

Now, what makes this program unique? The effectiveness of this program is first and foremost the result of flexibly applying sound management principles to the specific needs of individual firms. The companies participating in this program are by definition

---

[1]Attachment A: Brief case histories of firms that have completed Adjustment Plans and Technical Assistance through the Great Lakes Trade Adjustment Assistance Center.

[2]Attachment B: Great Lakes Trade Adjustment Assistance Center Fact Sheet

[3]Attachment B: Great Lakes Trade Adjustment Assistance Center Return on Investment

[4]Attachment C: Great Lakes TAAC Client Letters

[5]Attachment D: Great Lakes Trade Adjustment Assistance Center Cumulative Adjustment Plans

in serious trouble — sales are down, employment is down, and customers are being lost while imports are capturing more and more of the available market. We also know that the most common problems faced by these small and medium-sized manufacturers are a lack of management skills, inadequate or no marketing, poor cost accounting systems, inefficiencies in manufacturing and production, and a lack of export promotion. The TAA program demonstrates that business assistance, broadly interpreted and flexibly applied, is the most effective corrective measure.

Another unique feature of this program is what I call corporate commitment. This is both the willingness and determination of a company to invest in its future by sharing the cost of assistance. This willingness is the natural result of a program that emphasizes informing management of industry trends, company weaknesses, and attractive market opportunities. In 1992, the manufacturing firms assisted by the Great Lakes TAAC provided 49 percent of the cost of business and technical assistance. More important, those firms also contributed significant out-of-pocket expenses. Virtually every assistance project requires contributed company time which is not considered part of the project cost. This is true of some more than others. A good example is an employee training project with a face-value, cost-share price tag of $18,090 split 50/50 between the firm and the TAA program. If we calculate the cost of employee time devoted to training, the real cost of this activity was in the area of $49,000, for which the company provided over 80 percent.[6]

Finally, are there other programs that represent viable alternatives to TAA activities? I think not. TAA's unique business-centered approach and the company's involvement in designing its own turnaround strategy are key elements not found elsewhere. The TAA program works with firms for one to two years, providing in-depth, long-term assistance that integrates all business areas into a strategic plan designed to improve the firm's competitive position. It is in just this area of business planning that most small manufacturing firms find they have neither the time nor the expertise to identify or exploit opportunities. And it is in just this area that TAA provides the kind of help not provided by any other program.

I think the facts speak for themselves. This program may not be large, it may not generate lots of publicity, but the important thing is that it works. It works to provide good jobs, it works to improve our manufacturing base, and it works to improve the economy. It is an excellent investment for government, and it is a program that should continue.

---

[6]Attachment D: Great Lakes Trade Adjustment Assistance Center Catalytic Effect

SPECTRA PRODUCTS CORPORATION, GRAND HAVEN, MI

MANAGEMENT INFORMATION SYSTEMS

This company manufactures stamped and rolled metal parts for heavy equipment and office furniture. The parts include fenders for forklift trucks, channels for overhead cranes, and parts for office furniture and partitions. It also makes blasting cabinets.

After 1985, its sales were battered by competition from imports. It lost its largest customer to imports from Korea in 1987. Total sales declined from $7.2 million in 1986 to $7.0 million in 1987. During this period, average employment dropped from 77 to 63. These losses, together with further stiff competition from German products, led the firm in 1987 to seek the GLTAAC's help to successfully apply for Trade Adjustment Assistance.

Working in cooperation with company management, the GLTAAC identified a number of difficulties that impeded recovery. The layout of the manufacturing facility was poorly designed. Inadequate attention had been paid to controlling inventory, planning production and maintaining product quality. The firm's administration lacked an effective information system to manage sales orders and track product costs. GLTAAC staff advised the firm to improve its manufacturing efficiency and expand its contract assembly, and partial manufacture of complex components or final products.

Based on the GLTAAC's recommendations, and with cost-shared government assistance, the company: (1) reorganized significantly its plant layout and operating procedures; and (2) retooled completely its management information system for better inventory control, sales-order management, and cost accounting.

The company's and the GLTAAC's efforts have paid handsome dividends. The company has become more competitive in the flexible manufacturing business, and sales and employment have increased steadily. Sales have risen by 73 percent since the firm was certified as trade-impacted; employment has risen by 156 percent. The firm reports that it is in the best operational shape ever.

	Two Years Prior to Certification (1985)	At Certification (1987)	Four Years After Certification (1991)
SALES	$ 7,154,000	$ 7,030,000	$ 12,795,000
EMPLOYMENT	77	63	166

H & W SCREW PRODUCTS, TAYLOR, MI

PRODUCTIVITY IMPROVEMENTS AND MARKET EXPANSION

This company is a high volume manufacturer of small sized screw machine parts and cold headed parts made of steel and brass for the automotive industry. It manufactures to customer order and traditionally relied on a small customer base, with over 50 percent of its sales going to one OEM. The firm also confronted the overall downsizing of the automotive OEM supplier base and consequent pressures for price reductions, as well as demands for higher quality and just-in-time production and delivery capability. To these burdens was added the onus of foreign competition, through the increased import of foreign-made vehicles and automotive components. The economic decline the company experienced in 1989 mirrored similar supplier experiences throughout the automotive industry. By early 1990 the company had a negative net income and reduced employment. There was no choice but to take corrective action.

After the company was certified as eligible for the Trade Adjustment Assistance (TAA) program, the GLTAAC worked with its management to survey its competitive posture. GLTAAC personnel discovered that one part produced by the company was responsible for a significant share of the firm's operating loss. GLTAAC staff also identified production inefficiencies, problems with quality, employee training needs, inadequate inventory control and accounting procedures, and the need to expand the company's market.

The GLTAAC recommended that the company either seek a price increase or cease manufacture of that screw machine part which had contributed to so much of its operating losses. GLTAAC staff recommended that the company establish centralized tool grinding services and staggered machine operations, and select and implement an MRP II system to improve order entry, production scheduling, accounts payable and accounts receivable.

With cost-shared assistance from the TAA program, the firm: (1) targeted new customers and diversified its market base; (2) began to implement a complete MRP II system; and (3) began to train critical shop employees in "continuous improvement" techniques to improve manufacturing efficiency and enhance product quality.

The firm-GLTAAC collaboration has been rewarded amply. The company has returned to profitability. Sales have nearly doubled (up 94 percent) in the past two years. Employment has increased by 75 percent in the same period—so much so that the firm added a second shift to manufacturing operations. The firm installed additional machinery in one plant, and expanded into a new manufacturing facility dedicated to other screw machine product lines. It received an award for excellence in quality manufacturing from a major automobile maker. Recognition of company improvement and the value of GLTAAC assistance resulted in a NAMTAC award in business assistance for this ongoing activity.

	Two Years Prior to Certification (1988)	At Certification (1990)	Two Years After Certification (1992)
SALES	$ 1,695,000	$ 1,618,000	$ 3,132,000
EMPLOYMENT	19	16	28

U.S. TAP, INC., FRANKFORT, IN

PRODUCTIVITY IMPROVEMENTS

This manufacturer makes solid brass faucets, faucet assemblies, and other plumbing fittings; its customers are roughly divided between plumbing-supply wholesalers, private-label customers, and other faucet manufacturers. About 90 percent of its products are installed in residences and the remainder in commercial establishments. The firm uses a unique means of casting that requires less lead and reduces the levels of lead leaching from the finished brass product into the water. This is advantageous in today's health-conscious retail markets.

The firm's sales declined from $7.2 million in 1984 to $6.3 million in 1986, largely because of increased imports from Mexico and Taiwan. After 1986 losses of $327,000, the firm filed for bankruptcy protection under Chapter 11. Its assets were purchased in March 1987 by a firm which maintained it as a new, wholly owned subsidiary. Nonetheless, the prognosis for the firm and its employees was dismal.

The firm applied for Trade Adjustment Assistance in August 1988. It was certified on October 6, 1988, and entered a cooperative agreement with the Great Lakes TAAC later than month to identify strengths and weaknesses and to develop an adjustment plan.

The GLTAAC, working with company management, focused attention on the company's most serious problems contributing to its unprofitable operations. Machinery was old and improperly maintained. This, coupled with inefficient production scheduling and inadequate employee training, contributed to the firm's excessive inventory and high scrap rate. Much of the wholesale and retail plumbing fixture markets were largely unaware of the company's products. Product packaging was unattractive and inconsistent.

With the cost-shared help of the Trade Adjustment Assistance program, the firm already has completed projects designed to improve management-employee relations. Assistance has been provided to help the firm's efforts to reduce excessive inventory, to more efficiently schedule its production, and to improve quality of the fixtures produced without the need to rework them. Research designed to test the extent to which the company's casting techniques reduce the levels of lead leached into tap water provided important marketing information for the firm, as well as an opportunity to distinguish its products from those of its foreign and domestic competitors.

While the firm's sales have not yet rebounded to levels enjoyed in the early 1980s, they are 11 percent greater than they were at the time the firm was certified. The company also employs 15 percent more people than it did at certification.

	Two Years Prior to Certification (1986)	At Certification (1988)	Three Years After Certification (1991)
SALES	$ 6,361,000	$ 4,786,000	$ 5,312,000
EMPLOYMENT	87	82	94

THOMPSON ALUMINUM CASTING CO., GARFIELD HEIGHTS, OH

DEVELOPMENT OF NEW TECHNOLOGY

This company manufactures custom castings of magnesium and aluminum alloys. It is uniquely qualified to assist customers with needs for the low volume, high quality castings required in the aerospace and defense industries. The firm's fortunes depended on the vigor of these industries.

Beginning in the late 1980s, national defense contracts declined dramatically. This, coupled with strong foreign competition (principally Canadian) for specialty castings, cut into the firm's sales. Sales dropped from $4.0 million in 1987 to $3.0 million in 1989, and the company's workforce decreased by 12 percent in the same period. The company's financial situation deteriorated further when the magnesium heat treat

furnace was damaged by a storm in 1989, and when a major fire in the trim room disrupted production for a month in 1990.

The firm was certified as eligible for Trade Adjustment Assistance in September 1989, and signed a cooperative agreement with the Great Lakes TAAC in October 1989 to identify company strengths and weaknesses and develop a business plan.

In cooperation with the firm's management, the GLTAAC developed a short-term strategy to increase the potential customer base, improve quality systems, deliver dependable, high quality products, and reduce overall manufacturing expenses. The turnaround strategy targeted improvements in manufacturing operations and new product engineering. Recommended technical assistance included: (1) developing and implementing a production control and cost accounting system; and (2) design assistance for equipment to squeeze cast parts for metal matrix composites. This "squeeze casting" technology is new, but shows great promise to lower the costs of production of special castings that are currently too expensive for most customers.

Implementation of technical assistance improved the firm's cost-accounting system and reduced its production costs. These steps helped to provide timely, competitive bids, to increase plant utilization and to improve efficiency. With assistance provided by the Great Lakes TAAC and external consultants, the firm also has designed the dies required for its new squeeze casting equipment and the machine required to utilize them.

The firm's sales since certification have increased 47 percent, and employment has returned to the 1987 level.

	Two Years Prior to Certification (1987)	At Certification (1989)	Three Years After Certification (1992)
SALES	$ 4,020,000	$ 3,042,000	$ 4,467,000
EMPLOYMENT	47	42	47

MAG-NIF MANUFACTURING, MENTOR, OH

PRODUCT DEVELOPMENT

This company manufactures high-quality novelty gifts, adult toys, board and other games, puzzles, and Christmas tree ornaments made of plastic by the injection molding process. It sells nationally to mass merchandisers, mail-order houses, discount stores, gift-stationary shops, drugstore chains, distributors, jobbers, and brokers.

Novelty and game items have short product lives, and "knock-offs" (slightly modified copies of the novelty made by competitors) are common threats. The lower labor costs of overseas competition (principally in Asia) drastically reduced the market share enjoyed by American novelty manufacturers in the early 1980s. This company was not immune to these market pressures. Sales dropped from $3.1 million in 1983 to $1.9 million in 1985, and average employment fell from 68 to 48 employees. With its existence threatened, the firm sought relief from the Trade Adjustment Assistance program.

As the Great Lakes TAAC worked with the firm's management to identify pitfalls to the company's recovery, several weaknesses became apparent. Though the novelty market was very susceptible to shifts in consumer preferences, the company devoted surprisingly few resources to marketing. As a consequence, little was known of the characteristics of the company's customers. New product development was sporadic, with little effort given to assessing consumer receptivity to these products. The company had little knowledge of manufacturer representative activities on its behalf. Oversight of the manufacturing process was erratic, quality controls and reporting systems were inadequate, and manufacturing materials were improperly managed. The firm's overworked management lacked the tools essential to proper business planning, cost/benefit analyses were infrequent, there was no annual budgeting process from which goals could be set and fiscal performance evaluated. Finally, the firm had no credit screening procedure for its small customers.

The firm received cost-shared assistance from the Great Lakes TAAC to completely redefine its manufacturing management structure, establish clear procedures for managing production materials, improve the plant layout and implement solid quality control. The company received advice on how best to acquire and maintain a comprehensive management information system. The firm has taken steps to broaden its market and better serve customer needs. A consultant conducted extensive marketing research and completely redesigned product packaging.

The firm's production efficiency improved dramatically. Sales in 1992 were 247 percent greater than when the firm was certified, and the firm today employs 187 percent more staff.

	Two Years Prior to Certification (1983)	At Certification (1985)	Seven Years After Certification (1992)
SALES	$ 3,187,000	$ 1,910,000	$ 6,622,000
EMPLOYMENT	85	45	129

Fact Sheet and Return on Investment — Attachment B

TRADE ADJUSTMENT ASSISTANCE

Fact Sheet

The Great Lakes Trade Adjustment Assistance Center (GLTAAC) is one of twelve TAACs across the country. It is part of the Business and Industrial Assistance Division of the University of Michigan.

- GLTAAC serves the three states of **Indiana, Michigan, and Ohio.**
- It has worked with **151** firms in those three states.
- At the present time there are **42** firms participating in the program.
- These 42 firms employ **7,130.**
- An additional **8** firms await certification.
- These 8 firms employ an additional **3,195.**

- There is a staff of **10** professionals and 6 students.
- The GLTAAC has an annual budget of **$1.26** million.
- During 1992 the firms covered **49%** of the cost of assistance.

- There have been **3,621** jobs saved at firms completing assistance.
- There are **445** new jobs at these firms.
- Total employment at these firms is **4,066.**

On a national level, there were 379 firms that completed at least one assistance project during the four years 1988 through 1992. These 379 firms accounted for 38,318 jobs when they entered the program; they now provide employment to **41,257** people. Sales for these firms have increased **35%** since assistance began. The national program is supported with a fiscal 1993 budget of $14 million.

	At Time of Entering TAA Program	After TAA Program Assistance	%
Employment	38,318	41,257	+8%
Sales	$2,620 million	$3,402 million	+35%

In the three state area alone there are 50 firms active in the GLTAAC. These firms support more than 10,000 industrial jobs.

RETURN ON INVESTMENT

Great Lakes Trade Adjustment Assistance Center

Investment per job:

Funding, 1/1/83 - 3/31/93[1]	$9,152,011
Total jobs impacted[2]	4,066
Investment per job	**$2,251**

Economic impact per job:

Income, average manufacturing job	$25,000
Federal, state revenue on mfg job @ 22%	$5,500
Income, multiplier jobs[3]	$8,000
Federal, state revenue on multiplier job @ 22%	$1,760
Annual federal and state revenue, per manufacturing job[4]	**$7,260**

Return on Investment, first year: **322%**

---

[1]Funding total covers 123 months and includes only federal government expenditures.

[2]Jobs impacted are those jobs retained and generated at firms completing at least one assistance project by 12/31/92. It does not include the impact of assistance at firms that entered the program since mid-1992.

[3]Multiplier jobs are those generated in providing the goods and services required by the employed manufacturing workers. Although often estimated at 2 or 2.5 for the purposes of this analysis a very conservative multiplier of 0.5 was used. Service job revenue is calculated at an average hourly rate of $8, annual income of $16,000, multiplier income per manufacturing job is $16,000 x 0.5.

[4]Annual revenue per job disregards local income or property tax revenue.

Mag-Nif Incorporated
8820 East Avenue
Mentor, Ohio 44060

(216) 946-4308
FAX: (216) 974-0449

Congressman Eric Fingerhut
2550 SOM Center Road, Suite 385
Willoughby Ohio 44094

Dear Congressman Fingerhut:

I was surprised to hear that the Trade Adjustment Assistance Program has been recommended for termination by the Clinton administration. I cannot understand how an administration that outwardly talks about saving jobs in America and helping to stimulate the economy could even consider discontinuing this program.

Mag-Nif, Inc. was able to take advantage of this program in the late 80's. Based on our experience, I would strongly recommend that this program not be terminated but rather be expanded. As a result of the program, we were able to better compete against foreign imports and also increase our employment.

Sincerely,

James R. Weiss
Treasurer

AFL-CIO

United Steelworkers of America

LOCAL UNION 2243 - DISTRICT 28
3779 MAHONING, N.W. • WARREN, OHIO 44483
TELEPHONE: (216) 847-7444

March 13, 1993

Congressman James Traficant
11 Overhill Road
Youngstown, Ohio 44512

Dear Congressman:

As you are well aware, foreign competition, depressed market conditions, and a stagnant economy has threatened the jobs of thousands of steelworkers. I am writing to voice our support for the Department of Commerce Trade Adjustment Assistance Program, a program Copperweld Steel Company has utilized to invest in the future and improve the job security of many United Steelworkers of America members.

It is my understanding the Department of Commerce Trade Adjustment Assistance Program may be considered for elimination. We need your support to see that this program is continued. Copperweld has worked with the Great Lakes TAAC to implement innovative skills training and employee participation programs that fall in line with major goals of the United Steelworkers of America. These investments in our employees and our company may never have been implemented without the financial and technical assistance of the Great Lakes TAAC.

Your support is greatly appreciated.

Sincerely,

W. C. Rorison, Jr.
President, USWA Local 2243

WR/hy

cc: B. Vila

5200 Venture Drive
Columbia Center
Ann Arbor, Michigan 48108
Telephone: 1-313-668-6750 FAX: 1-313-994-1335

CONTROL GAGING, INC.

March 5, 1993

Congressman William D. Ford
2371 Rayburn House
Senate Office Building
Washington, D.C. 20515-2215

Dear Congressman Ford:

Small companies like ours (40 people) recognize the influence that the Federal Government can have on our future. I would like to relate two brief success stories and make a recommendation based on them.

In late 1988 the Great Lakes Trade Adjustment Assistance Center, The University of Michigan, performed a diagnostic survey of our company to determine how we were hurt by foreign competition and what we could do to perform better in the competitive environment. Based on that survey we have applied for and received federally backed funding to support employee training in the use of CAD (computer aided design) and in the use of our computer-based integrated business data base system.

Based on the training we have received we have improved our operational performance. Engineering has become so proficient at the use of CAD that we are now investigating purchase of faster CAD units to keep up with skills of our engineers. CAD has helped us with "reusable" engineering so we do not have to reinvent for each of our custom jobs. We simply electronically copy parts of prior designs and add in the unique features of the new design. Our integrated business system is increasing productivity and accuracy. One example of productivity improvement is that two people are now doing the jobs previously requiring three. The third person has been freed up to do the important task of job costing, a task that had never been part of our operations.

These successes lead me to a strong endorsement for the effectiveness of the Department of Commerce Trade Adjustment Assistance Program. Please make that a high priority in budget plans for improving the competitiveness of American industry.

We are in the process of applying for further funds to institute a company-wide TQM system. This will help improve our competitive position versus our foreign competition (we are the only domestic manufacturer of in-process grinder gages) through improved quality and reduced costs.

Once again, a hearty endorsement for the Trade Adjustment Assistance Program.

Sincerely,

Paul A. Mueller
President

CROWE INDUSTRIES INC

CONTRACT
MANUFACTURER
METAL PARTS
& ASSEMBLIES

215 S TORRENCE ST
DAYTON OH 45403-3825
PHONE (513) 254-4441
FAX (513) 254-4475

March 10, 1993

The Honorable Tony Hall
House of Representatives
Washington, D.C. 20515

Dear Congressman Hall:

Thank you for taking time in your schedule to meet with us at the Honda reception in February. I realize what a busy evening that must have been for you.

Additional thanks for your ongoing work relating to keeping WPAFB and the Mound Laboratories alive and healthy in Dayton. Even business owners like myself who are not defense contractors recognize how much these two organizations contribute to our local economy. I understand that you have put in huge efforts into keeping them strong and appreciate that.

One item of recent concern is the President's proposed termination of the Trade Adjustment Assistance program. This program is for U.S. Manufacturer's who have been hurt by foreign competition and helps them learn to become competitive in the world markets in which they compete.

The program helps stabilize companies who might otherwise continue with uncompetitive practices, and provides excellent job retention opportunities. further, it shows companies like ours where high-probability opportunities for growth exist, ultimately resulting in new domestic jobs.

I feel strongly that this is a program that provides manufacturing jobs in America and should be extended. I am enclosing portions of our confidential strategic plan which shows the level of commitment our small company (40 employees) is willing to make to become more competitive. Unfortunately, we do need the financial assistance of this program due to our limited financial resources.

Yours very truly,

James King
President

TRADE ADJUSTMENT ASSISTANCE

Catalyst Effect

A common misconception is that the Trade Adjustment Assistance Program for firms is small. While the government expenditures are modest, they act as a catalyst for investments by the firm. The total investment in TAA greatly exceeds the actual federal program outlay.

Costs to the firm include both payments to consultants and internal expenses as employee time is used for activities associated with improving the firms' competitive position. Firm management is an important part of the development of the Diagnostic Survey and Adjustment Plan, requiring large amounts of management time, covered at company expense.

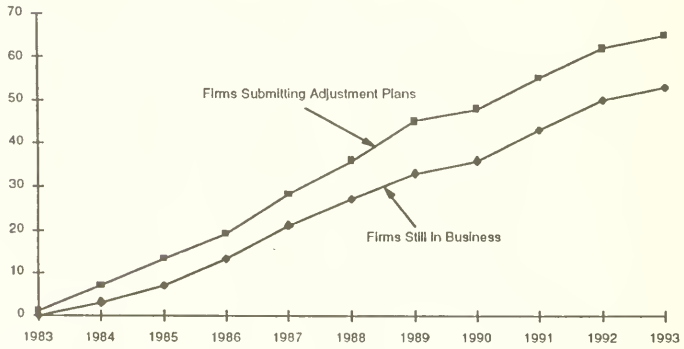
The firm bears a significant share of the costs of Technical Assistance projects, including both fees paid to consultants and wages paid to employees as they work with the consultant. For a recently initiated TA employee training project for a client of Great Lakes TAAC that had a TA project cost of $18,090:

	Total Cost	Government Share	Firm Share
Project Cost	$18,090	$9,045	$9,045
Project Cost Share		50%	50%
Labor Cost[1]	$31,500		$31,500
Actual Total Project Cost	**$49,590**	**$9,045**	**$40,545**
Actual Total Project Cost Share		**18.2%**	**81.8%**

An expenditure on the part of the federal government of $9,045 was the catalyst in initiating extensive employee training. The result will be a more competitive firm and employees with higher skill levels.

GREAT LAKES TRADE ADJUSTMENT ASSISTANCE CENTER

Cumulative Adjustment Plans, and Firms Still in Business



[1]There are 8 training classes total, involving from 16 to 80 hours of instruction for 6 to 15 employees per class. Total employee hours required are 2,520 at an average rate of $12.50 ($25,000 annually).

HAWAIIAN GREENHOUSE INC.

Fax: (808) 965-9401 P.O. BOX 1 PAHOA, HAWAII 96778 PH: (808) 965-8351

May 24, 1993

SENATOR DANIEL K. INOUYE
722 Hart Senate Office Building
Washington, D.C. 20510-1102

Dear Senator Inouye;

I am writing to ask for your support of the Western Trade Adjustment Assistance Center which operates under a cooperative agreement with and is funded by the Economic Development Administration, U.S. Department of Commerce.

Our company has only recently become aware of this assistance program but we believe that this program will help us become better competitors against foreign produced tropical cut flowers.

We anthurium cut flower growers here in Hawaii have had many obstacles to overcome in the past few years. Your help in obtaining funds for anthurium blight research has really given us a chance to look past our production problems and face our marketing situation. The Western Trade Adjustment Assistance Center will help us address this problem of cheaper priced foreign grown cut flowers.

I urge you to please support this trade adjustment program.

Sincerely;

Alan Kuwahara
President

Houston Fearless 76
INCORPORATED

May 26, 1993

Janice Mays
Chief Council and Staff Director
Committee on Ways and Means
US House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Re: Proposed Elimination of the Trade
Adjustment Assistance Program

Dear Madam:

The above subject elimination of this assistance program would, based on Houston Fearless 76, Inc. experience, adversely impact the efforts of small and medium sized companies in meeting increased foreign competition.

Technical assistance was given to Houston Fearless 76 under shared cost with the Federal Government to promote a complete "Material Planning and Control Improvement Project". This project was controlled by the "Western Trade Adjustment Assistance Center" located in Los Angeles California, providing Houston Fearless 76 with a detailed analysis and final report on how our company could improve manufacturing productivity. This was done by proceduralizing the production/material planning and control system with regard to the administrative, scheduling, and manufacturing subsystems. The principle reason for doing this was to reduce manufacturing costs by allowing Houston Fearless 76 to use manufacturing resources more effectively.

Another program undertaken with a shared cost agreement with Western-Trade Adjustment Assistance Center (West TAAC) and Houston Fearless 76 was redesign of controlling electronics for one of HF 76 microfilm processors. Redesign tasks included the reduction of controller costs improving Houston Fearless 76 ability to sell the product in a competitive market and improve the reliability of the electronic control system.

203 West Artesia Boulevard, Compton, California 90220-5550 U.S.A. (310) 605-0755 FAX: (310) 608-1556

State of the art electronics and the use of a single chip microprocessor resulted in a 57% reduction of components which directly affected cost and improved reliability.

Several other programs were initiated by HF 76 in order to improve the ability of the company to compete in lucrative foreign markets.

We could not have done this without the technical assistance we received from West TAAC. We encourage you to maintain the TAA Program so that other small and medium-sized businesses receive vital TAA benefits to assist them in meeting foreign competition.

Sincerely,

HOUSTON FEARLESS 76, INC.

M.S. LEE
President

MSL:jt

INSULECTRO

May 25, 1993

Ms. Janice Mays
Chief Council and Staff Director
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Ms. Mays:

I am writing in support of the Trade Adjustment Assistance for Firms program and urge that you vote for reauthorization/refunding of the TAA program when legislation is introduced in the Committee.

We are a California business employing more than 200 people selling products in the printed circuit board industry. The low price of imports has been responsible for the loss of a significant amount of business to our company.

We have applied for assistance from the TAA that would match fund our investment into company programs which will help us be more competitive, e.g., improved performance and greater efficiency from quality improvement programs. We believe this will lead to a more successful business with the opportunity for growth in sales and employment.

Please support this worthy program.

Very truly yours,

Eric Fischer

Eric C. Fischer

20362 Windrow Drive Lake Forest, CA 92630 • 714-587 3200 • FAX 714-454-0066

JEROME INDUSTRIES CORPORATION

COMMITTEE ON

Honorable Dan Rostenkowski
United States House Of Representatives
2111 Rayburn House Office Building
Washington, D.C. 20515-1305

Attention: Honorable Dan Rostenkowski

Dear Sir:

It is my understanding that the Trade Adjustment Assistance Program (TAAP) is due to expire September 30,1993 and the Presidents budget proposes to eliminate it.

Our company was a manufacturing company supplying products to the consumer product industry and loosing customers for years to the "Far East". Just before the final customer left us we qualified for and received TAAP assistance in various programs which assisted our company to reorganize our business to supply specialty users of the products we manufacture. A segment of industry difficult for foreign manufacturers to service.

Although we had to reduce our work force the change we brought about in our operations enabled us to stay in business and keep approximately 90 workers employed during the past difficult economic years.

So that many other American Companies can have the same opportunity to maintain or create jobs for their workers, we urge you to support retaining the Trade Adjustment Assistance Program of 1974.

Sincerely,
JEROME INDUSTRIES CORPORATION

John DiGirolamo
President

WALL PLUG-IN • EXTERNALLY MOUNTED
POWER SUPPLIES • BATTERY CHARGERS • TRANSFORMERS
CONVERTERS • ADAPTORS

STATEMENT OF
THE HONORABLE BARBARA B. KENNELLY
SUBCOMMITTEE ON TRADE
MAY 27, 1993

Mr. Chairman, I thank you for calling the Subcommittee together today to discuss Trade Adjustment Assistance. I know that many of us are greatly concerned about the Administration's proposal to terminate the TAA program and I anticipate this forum will be most helpful in this discussion.

Exports are a critical part of Connecticut's economic base. At time when our state economy is in flux due to downsizing of the defense industry, stagnancy in some manufacturing sectors, Connecticut's economic health will rely on healthy exports. Our state's dollar value for exports has risen from $3.32 billion in 1987 to $5.7 billion in 1991. In fact, in 1987, exports accounted for 4.2 percent of the state's output and this rose steadily through 1991 when the export share of gross state product was approximately 6.2 percent. By way of contrast, defense contracts as a part of gross state product, fell during the same period from 6.4 percent in 1987 to 5.4 percent in 1991. It is estimated that exports may double defense contracts for the 1992 figures and beyond.

According to the U.S. Department of Commerce, Connecticut has one of the highest proportion of jobs related to manufactured exports of any state.

TAA has been very helpful to firms and workers in Connecticut who have been threatened by possible shutdowns and displacement due to increases in imports. This program provides an important service to firms across the state. In fact, the New England Trade Adjustment Assistance Center has provided a valuable and constructive service to hundreds of firms across New England in a variety of industries from traditional manufacturing sectors such as apparel and furniture to high-tech electronics and medical devices.

I am interested to learn of the impact on the New England region, and in particular, Connecticut, if this program is eliminated. I am also curious to know if the panelists feel there are alternative existing programs to serve the needs of impacted firms and workers as well as the TAA.

I look forward to hearing the testimony today.

Thank you, Mr. Chairman.

kbi

KING BROS. INDUSTRIES

27781 AVENUE HOPKINS, VALENCIA, CALIFORNIA 91355
(805) 257-3262 FAX (805) 257-4320

May 24, 1993

Janice Mays
Chief Council and Staff Director
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Ms. Mays,

I am writing this letter to urge you to support funding of the Trade Adjustment Assistance for Firms program.

I am owner and president of a small manufacturing company in Valencia , California. We have 80 employees in our plant in California and have additional employees at our warehouse locations in Florida, New York, Oregon and Texas

Our company was and continues to be severly impacted by foreign competition, especially asian companies. Two years ago we began a program with technical assistance from our local TAAC center at USC. They helped us with support to bring to market a new valve which was designed to be manufactured with a minimum of labor. American companies had abandoned making this type of valve due to not being able to compete with inexpensive foreign labor. This valve has been a great success and has led our company to a sales increase of 20% over the past two years ($5MM sales to $6MM sales)

Western TAAC at USC also rendered technical support in helping us develop a computerized inventory control system which has cut our inventory needs by 10%. The result of all this, is that we increased employment during the recession, our sales increased, and a product which was only available from foreign manufacturers is now made in the U.S. and we are exporting to other countries.

Foreign competitors selling cheap, many manufacturers going to Mexico to survive, SBA only able to help with a building loan guarantee, our bankers now

so gun shy, we can get very little financing except machinery loans. In this environment I would think that a partnership of government-university-companies to render technical assistance would be the type of program that would be expanded, not considered for elimination.

The TAAC program is one that works, it worked for my company.

Please consider expanding it and not eliminating it.

Sincerely,

Bob King
President
King Bros. Industries

June 2, 1993

Janice Mays
Chief Council and Staff Director
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Ms. Mays,

I am writing to urge re-authorization/refunding of the Trade Adjustment Assistance for Firms Program when this legislation is introduced this session in the Committee on Ways and Means.

My name is Paul Rademaker, Vice President of Operations for McGuire-Nicholas. Our company manufactures leather tool accessories to the trades people in the building industry, as well as to the average consumer who likes do-it-yourself projects around the home.

McGuire-Nicholas has been in business since 1932, and we currently employ 250 people. Over the past few years the company has faced increased domestic and foreign competition. Foreign competitors in particular, have gained an increased amount of market share. This competition is mainly from manufacturing operations in Latin America which produce lower quality products, but, nonetheless take away market share.

The company experienced a work force reduction in December of 1991, some 40 employees, directly associated to this type of foreign competition. Moreover, in reviewing the impact on our market share we did a sales comparison study against FY 91 base year sales. Sales in FY 91 as compared to FY 92 showed an 8.7% decline in market share. This type of impact forced us to seek assistance at the Federal level to counter market share erosion. In October, 1992, a memo was sent to Ms. Ethel Hawkins of the Trade Assistance Division in Washington, D.C., highlighting the 8.7% market share decline.

McGuire-Nicholas proposed and was granted assistance to develop the strategy to enhance products and merchandising. Our strategy was to design and produce new market specific products that are the direct results of user survey input. To support new products, it is also necessary to improve manufacturing efficiencies and methods. Our company has already invested tens-of-thousands of dollars, but as a small manufacturer our resources are limited, and through Federal assistance we are able to complete the strategy and maintain our market share and keep our people employed.

The funding share made possible through the assistance of the Trade Adjustment Assistance Program may seem small in size (Federal cost share 52%, $78,000), but it makes the difference between continued market share erosion and holding our ground.

Perhaps there are other sources for assistance within the Federal government, but for McGuire-Nicholas, TAAC was made visible through their efforts, not any other organization. Moreover, the methods for assistance: filing and proposal writing and submission, are unknown to our organization. It is here, navigating through difficult waters, that TAAC provided the greatest aid to McGuire-Nicholas. Additionally, as a small company to develop and submit a proposal, those resources are just not available, nor do we have the required understanding (which takes time), to do proposals effectively that result in timeliness, and efficiency for both our company and the Federal agency reviewing the proposal.

The approved proposal will allow our company to turn the tide against foreign competition, through the efforts of technical advisors knowledgeable in the areas outlined in the proposal. By stopping market share loss we are able to help the company grow and hire more employees and put America back to work through industry, not one time Federally funded programs.

I appreciate the opportunity to express my support for the continuation of funding the Trade Adjustment Assistance Centers.

Respectfully yours,

Paul Rademaker
Vice President of Operations

COMMENTS TO SUBCOMMITTEE OF TRADE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
by William H. Gates, Director
MidAtlantic Trade Adjustment Assistance Center

The MidAtlantic Trade Adjustment Assistance Center (MATAAC) is one of twelve centers providing technical assistance on a regional basis to eligible small and medium size firms. The region served by MATAAC includes the states of Delaware, Maryland, Pennsylvania, Virginia and West Virginia and the District of Columbia. We believe our "hands on" experience in delivering services to eligible firms provides a perspective on the program that will be useful to the Subcommittee.

The Program Works

Of the 24 firms receiving technical assistance from MATAAC in the most recent five year period, 23 firms remain in business. This is noteworthy as each firm receiving assistance had a declining trend in sales and employment as a qualification for entering the program. The program has a high success rate even though the companies we serve are damaged and trending downward. The high success rate described above is illustrative of the results achieved nationally.

Since receiving technical assistance, the 24 firms described above have achieved an aggregate increase in sales and employment, confirming that the program is successful in assisting firms.

The Program is Different from other Government Programs Assisting Firms

The key to the success of the program is that it determines the key elements for success of the business and provides technical assistance to address those elements. Other programs focus on one element of a business, i.e., technology transfer, business loans, job training, etc. Trade Adjustment Assistance works with the firm to determine the primary needs of the business. Technical Assistance then focuses on those needs, whatever they may be.

In MATAAC's experience the primary needs of most firms are in the marketing area. Other programs do not address these needs at all.

Our services can be compared to those of a General Practitioner in dealing with a sick patient. He evaluates the patient's total condition and delivers treatment appropriate for recovery, accessing medical specialists where appropriate. We too diagnose the firm's total needs, and focus technical assistance on those areas that will have a beneficial effect on the future of the firm. This technical assistance can be in manufacturing, marketing, administration, management or financial control. Just as every patient going to a General Practitioner is unique, every firm we work with is different, and has different needs and opportunities.

The Program is Consistent with President Clinton's Policy

In "Manufacturing for the 21st Century; Turning Ideas into Jobs" the call was made to "create 170 market-driven manufacturing centers to help small and medium-sized manufacturers choose the right equipment, adopt the top business practices, and learn cutting-edge production techniques." This is precisely what each of the twelve TAAC's has been doing and doing successfully. The model is in place and functioning. We only need 158 more.

The Program can Readily be Expanded to Enlarge its Impact

Trade Adjustment Assistance is restricted to manufacturing firms damaged by import competition. The same approach that successfully assists these firms can also be used for defense conversion or other economic adjustment. All that is required is a change in the qualifications for the program.

At the present time most firms going through down-sizing because of loss of defense contracts cannot qualify for the program. Only rarely has defense work been subject to import competition.

The Clinton Administration is properly concerned with assisting workers retrain to develop skills appropriate for the changing job market. Companies also need assistance in developing skills appropriate to the rapidly changing business environment. The needs of both companies and workers are interdependent. If companies do not adjust to the new environment, jobs cannot be offered and retraining workers is to no avail. Trade Adjustment Assistance for firms is a successful model for assisting firms to adapt to the changing business climate and continue to provide jobs.

PATSY T. MINK
SECOND DISTRICT, HAWAII

WASHINGTON OFFICE
2135 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-1102
(202) 225-4906
FAX (202) 225-4987

DISTRICT OFFICE
5104 PRINCE KUHIO FEDERAL BUILDING
P.O. BOX 50124
HONOLULU, HAWAII 96850-4977
(808) 541-1986
FAX (808) 538-0233

Congress of the United States
House of Representatives
Washington, DC 20515-1102

COMMITTEE ON STEERING AND POLICY
COMMITTEE ON BUDGET
COMMITTEE ON EDUCATION AND LABOR
SUBCOMMITTEES:
ELEMENTARY, SECONDARY & VOCATIONAL EDUCATION
POSTSECONDARY EDUCATION
LABOR MANAGEMENT RELATIONS
COMMITTEE ON NATURAL RESOURCES
COMMITTEE ON GOVERNMENT OPERATIONS
(on leave)

May 25, 1993

The Honorable Sam Gibbons
Chair, Subcommittee On Trade
Committee On Ways & Means
1136 Longworth HOB
Washington, DC 20515

Dear Mr. Chairman:

I am writing to respectfully urge your Subcommittee to recommend reauthorization of the Trade Assistance Adjustment (TAA) program.

As you know, the TAA provides technical assistance to eligible small and medium-sized firms to help them adjust to increased import competition. In these difficult economic times, the TAA programs provide an invaluable service.

The Western Trade Adjustment Assistance Center, which is funded under the TAA, has benefitted businesses in Hawaii such as anthurium growers and papaya and guava processors.

Without your support, the TAA program will end on September 30, 1993. The TAA programs have helped small and medium-sized businesses and should be allowed to continue to do so.

I respectfully urge your Subcommittee to support the Trade Adjustment Assistance programs.

Thank you for your consideration.

Very truly yours,

Patsy T. Mink

PATSY T. MINK
Member of Congress

PRINTED ON RECYCLED PAPER

SuperBrands, Inc. 8251 GALLAGHER CREST
HENDERSON, NEVADA 89014

702-566-6868
FAX 702-566-6555

Donald J. Dahlheimer
CHAIRMAN

May 27, 1993

Representative James Bilbray
1783 E. Sahara Avenue
Las Vegas, NV 89014

Dear Representative:

A few years ago, as an officer of Trident Products, Inc., Hayward, California, I learned first-hand how very helpful the TRADE ADJUSTMENT ASSISTANCE (TAA) program can be to a relatively small company.

The assistance provided to Trident as the result of the TAA program was really invaluable. It helped Trident to improve its competitive position against foreign competition which had become overwhelming. At the time it literally helped Trident to survive and to save some two dozen jobs.

I urge you to consider supporting the Trade Adjustment Assistance Program so that other American companies can compete fairly against competition from abroad.

Sincerely,

Don Dahlheimer

Donald J. Dahlheimer

BOSTON PUBLIC LIBRARY
3 9999 05983 264 0

ISBN 0-16-041310-9

90000

9 780160 413100